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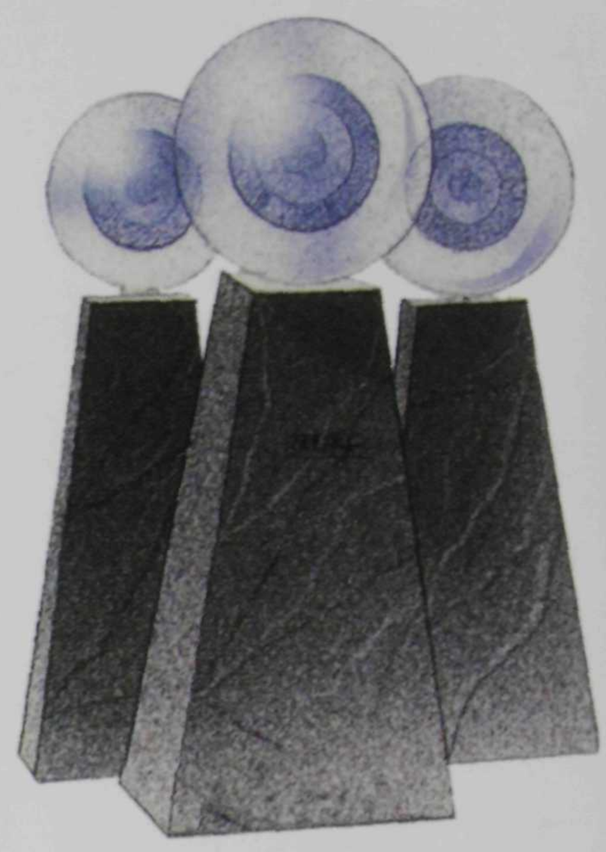
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APPLY TODAY!

BLUE CHIP ENTERPRISE INITIATIVE

1997 Participation Guidelines

BACKGROUND:



This program, sponsored by MassMutual, Nation's Business and the U.S. Chamber of Commerce, enables business owners to tell their stories of hardship, disaster, and risk — and of tremendous success. Judging is done by an independent panel of experts in enterprise, and up to four "Blue Chip Enterprises" are selected from each state. Since 1990, nearly 1,200 businesses have been recognized as Blue Chip Enterprise Initiative honorees.

NOMINATION REQUIREMENTS:

Any for-profit business that has been in operation for at least three continuous years and that employs between 5 and 300 persons is eligible to participate. Independently owned franchises are eligible. All nomination forms require the signature of at least one of the company's principals.

APPLYING IS EASY — 4 SIMPLE STEPS:

Stop!

FOLLOW THESE STEPS— BECOME A BLUE CHIP ENTERPRISE!

STEP 1 **BUSINESS PROFILE:** It is important to fill in this section as completely as possible — we want to establish a relative benchmark for evaluating your success. Different geographic markets and industries will have differing competitive pressures, and we want to factor in those differences.

STEP 2 **THE STORY OF YOUR CHALLENGES:** Follow the instructions on the form. You may want to describe the impact these challenges were having on your business — and any projected impact you were anticipating if the problem continued unaddressed (i.e., lower sales/earnings, reduction in staff, etc.).

STEP 3 **THE SUCCESSFUL SOLUTION:** Your explanation will help us select the 200 honorees. The key to completing your nomination form is documenting how your company managed its resources to solve its problems.

STEP 4 **SEND IT TO THE JUDGES!** Mail or fax your nomination form and additional pages by October 25, 1996. Information becomes the sole property of MassMutual for the purpose of feeding back actionable insights to the business community. If your company is a Blue Chip Enterprise, the information you provide will serve as a basis for developing a video library and a book on managing resources for success and will enable us to develop publicity efforts in your behalf.

IF YOU ARE SELECTED AS A BLUE CHIP HONOREE, you will receive extensive publicity, coverage in Nation's Business magazine and a book published about this year's recipients, and a complimentary one-year membership in the U.S. Chamber of Commerce. Up to 52 of the honorees will be profiled on "First Business," a nationally syndicated morning news program produced by the U.S. Chamber of Commerce and sponsored by MassMutual. As an honoree, you'll also receive community recognition and networking opportunities for your business.

JUST FOR SENDING YOUR NOMINATION FORM to us, you will receive a softcover book with case studies of the 1997 honorees!

1997 Blue Chip Enterprise Initiative Award — Nomination Form

BUSINESS PROFILE

STEP 1

Name of Owner/Title _____

Company _____

Address _____

City/State/Zip _____

Business Telephone _____ Fax Number _____

Alternative Contact Name/Title _____

Brief Description of Products or Services _____

Type of Business

- ❑ Manufacturing
- ❑ Wholesale
- ❑ Services
- ❑ Real Estate
- ❑ Transportation
- ❑ Retail
- ❑ Construction
- ❑ Finance
- ❑ Communications
- ❑ Professional
- ❑ Other (describe): _____

Annual Sales (optional) _____ Number of Employees _____ Year Established _____

Source of application: ❑ Nation's Business ❑ First Business ❑ MassMutual Agent ❑ Business Colleague ❑ Other

Owner's Signature _____ Date _____

STEP 2

THE STORY OF YOUR CHALLENGES (500 words or less)

Please tell us about the major challenges that threatened your business—or opportunities you created. These may include new competition, loss of major client, changes in the industries/geographic markets you serve, loss of key personnel or capital funding, rapid growth, natural disasters, etc.

STEP 3

THE SUCCESSFUL SOLUTION (500 words or less)

Tell us how you made your business succeed. Please describe the resources and tactics you used to overcome your business challenge(s).

We are looking for insights into the management of your company's resources such as quality assurance, marketing, human resources, community relations, financial management and technology. Also detail the changes in your company's performance as a result of implementing your solution(s).

STEP 4

Please send completed nomination form and additional pages to:

Mail: MassMutual
P.O. Box 2048
Hartford, CT 06101

Fax: 1-860-987-2596

DEADLINE: OCTOBER 25, 1996

We welcome your nomination for the Blue Chip Enterprise Initiative.

For more information, call: **1-800-FOR-BCEI.**

Blue Chip Enterprise Initiative

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Washington, D.C.



Job growth *is reflected in the monthly figures—more jobs created than lost—and in the forecasts of expanding opportunities for, among many others, utility workers, truck drivers, schoolteachers, cashiers, waiters, and retail salespeople. Cover Story, Page 18.*

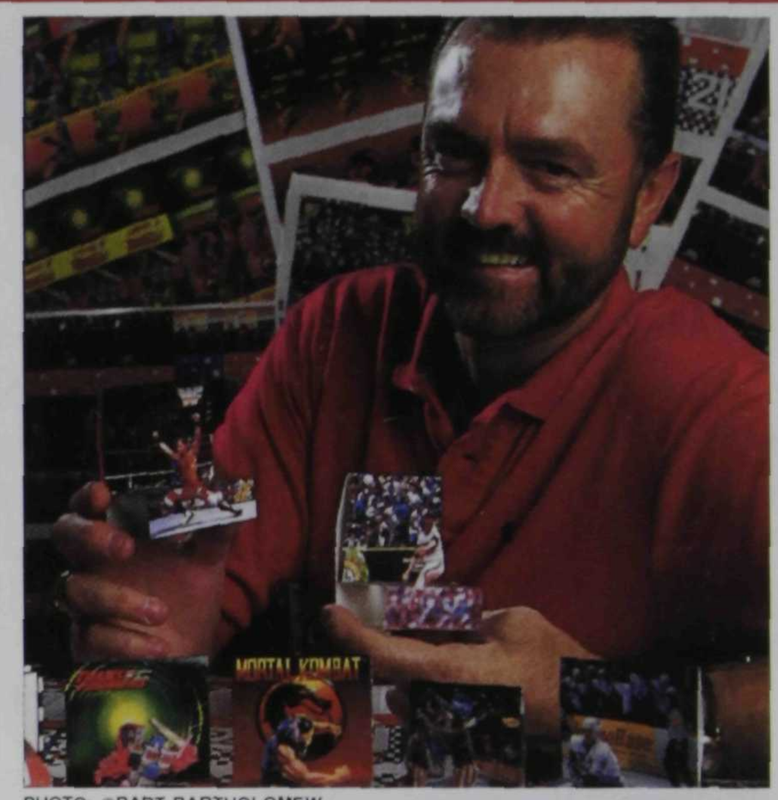


PHOTO: ©BART BARTHOLOMEW

Baseball *retirees such as Bert Blyleven, who runs a sports-card firm, succeed in new fields. Entrepreneurship, Page 48.*

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PHOTO: ©TOM GENNERA

The show goes on *when the event is booked with entertainment-agency owners Judie and Bob Kramer. Making It, Page 13.*

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Cover Design and Illustration: Alberto Pacheco
Cover Illustration Figures: U.S. Bureau Of Labor Statistics

Nation's Business (ISSN 0028-047X) is published monthly at 1615 H Street, N.W., Washington, D.C. 20062-2000. Tel. (202) 463-5650 (editorial). Advertising sales headquarters: 711 Third Ave., New York, N.Y. 10017. Tel. (212) 370-1440. Copyright © 1996 by the United States Chamber of Commerce. All rights reserved. Subscription prices (United States and possessions): one year, $22; two years, $35; three years, $46. For Canadian and other foreign subscriptions, add $20 per year. Periodicals postage paid at Washington, D.C., and additional mailing offices. Standard Mail (A) Enclosed—Versions 1-3. Canadian GST Registration # R131556169. **POSTMASTER:** Send address changes to ***Nation's Business,*** 4940 Nicholson Court, Kensington, Md. 20895. **To inquire about your subscription, to subscribe, or to make a change of address, please call 1-800-638-6582, or in Maryland, 1-800-352-1450. Photocopy Permission:** Where necessary, permission is granted by the copyright owner for those registered with the Copyright Clearance Center (CCC), 222 Rosewood Drive, Danvers, Mass. 01923, to photocopy any article herein for a flat fee of $1.50 per copy of each article. Send payment to the CCC. Copying without express permission of ***Nation's Business*** is prohibited. Address requests for reprints to ***Nation's Business*** Reprints, 1615 H Street, N.W., Washington, D.C. 20062-2000, or call 1-800-692-4000.

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Editor's Note

Beyond The Headlines

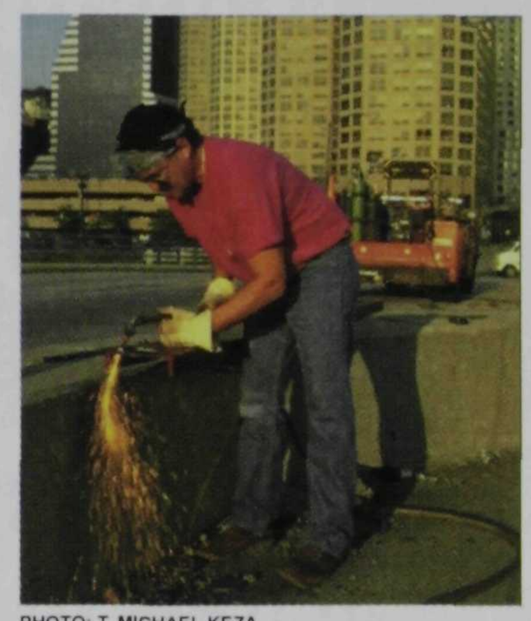


PHOTO: T. MICHAEL KEZA

We're living in a fantastic time of change. New products and companies are being created every day. They're shaping our lives, our work, and our outlook.

The daily news stories, however, often suggest that companies are simply laying people off and that business owners have little concern for employees when they make wrenching decisions to send employees on their way.

Our cover story, written by Senior Editor James Worsham and beginning on Page 18, provides details about the jobs picture that some readers may find surprising. For example, businesses are creating more jobs than they're eliminating. And the new jobs pay higher average wages than the jobs lost.

In reading our cover article, you'll likely discover some insights into what's happening in our economy and why company owners have been getting a bum rap.

While job creation is one of the bright spots in the economy, there are also dark spots. One of the most prominent is the rate of economic growth, which is historically low. Although such matters are terribly arcane to many Americans, they're extremely important to business people whose companies live or die by the economic activity reflected by those numbers. For a business perspective, see this month's editorial, "Making Growth A Priority," on Page 88.



Don't miss your final opportunity to apply for the Blue Chip Enterprise Initiative. The program honors small companies that have overcome adversity and are stronger today as a result. When you receive this issue, you'll still have three or four weeks to enter the competition. The deadline for applications is Oct. 25. For more information, call 1-800-FOR-BCEI (1-800-367-2234).

Mary Y. McElveen
Editor

Nation's Business

The United States Chamber of Commerce, publisher of Nation's Business, is a federation of businesses, trade associations, local and state chambers, and American chambers of commerce abroad.

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Letters

Database Technology And Customer Service

I very much enjoyed your August cover story, "Entrepreneurs Who Excel." However, a comment by George Zimmer, founder of the Men's Wearhouse chain, bothered me.

Zimmer talked about the inability of his database to accommodate the voluminous sales information that would be needed to measure the cost-effectiveness of the high-quality customer service provided at his stores.



Apparently he has lost touch with the development of database technology, or he is unwilling to pay the price to continue offering this excellent customer service. In either case, his options are to practice what he preaches or lower his prices.

Richard L. Jurgena
President
Mail Advertising Services, Inc.
Rockville, Md.

Family-Business Article Brings On Deja Vu

"If I Only Knew Then What I Know Now" [Family Business, September] struck several chords with me.

I am a 37-year-old former family-business partner. I broke from the business (a strange combination of a wholesale tree nursery and an electronics-manufacturing company) earlier this year for many of the reasons stated in your article. I left behind in the business my mother and an older brother.

Like Bill Karol in your article, I was deeply concerned that we had become strictly a business instead of a family.

I could foresee the problems that my brother and I would face as we were being set up for a 50-50 split of the business despite the fact that my brother's role in management was far smaller than mine—a situation similar to what "Greg" in your article experienced.

Like Christine M. Roche, I had joined the company fresh out of college. I had developed and grown the electronics division and had come to head the entire company at age 34. However, I found myself seeking experience outside the company as a means of fulfilling my own feelings of self-worth.

So now I have spread my entrepreneurial wings and formed a business consulting firm that strives to help other business owners face these and other types of problems.

The sad part is that "I knew what had to be done now and I did it now"; as a result, I have turned my back on 15 years of success, and I have a family relationship that is more strained than before I acted.

Knowing what you should do and then doing it aren't easy and won't necessarily solve the problem.

Kevin Edgar
President
Executive Resources
Manitowoc, Wis.

Steering A Storybook In The Right Direction

As the press date nears for a children's storybook project I'm coordinating, your September article "Success In Someone Else's Catalog"—which accompanied "Selling By The Book," your look at catalog sales—has defined a whole new marketing avenue for me.

If your readers someday select *Enchanted Catnip Seeds and Silver Whisker Kisses* from their favorite catalog themed to Christmas, cats, or angels, I'll have *Nation's Business* to thank.

Natalie Lund
Glasgow, Ky.

A Question For The IRS: Just Who Is In Denial?

In the Letters section of your September issue, reader Greg Ellis refers to a statement from a spokeswoman for the Internal Revenue Service who was quoted in "The Perils Of Payroll Taxes" [Small Business Financial Adviser, July]. The quote was: "Lots of times the business

is already bankrupt, but the owner is in denial. We make the difficult decisions the owner doesn't want to face."

Let's examine the quote more closely: It is a *classic* case of denial. By any criteria applied to private business, the U.S. government and its tax-collection arm, the IRS, are bankrupt—negative net worth, overwhelming debt, and runaway costs.

We, the people who create the wealth in this nation, should, as the IRS spokeswoman suggests, make the difficult decisions that politicians and government employees don't want to face. I suggest that we start by eliminating the IRS spokeswoman's salary.

Today, my company is a growing business, employing 60 people and paying hundreds of thousands of dollars in taxes annually. But if this IRS spokeswoman had been around to make the "difficult decisions" for us 25 years ago, we wouldn't be in business.

S.L. Tucker
President
Roll Master Corp.
Pomona, Calif.

Liability Coverage For Home Businesses

As an insurance broker and a free-lance business writer, I read with interest "Special Coverage For Home Businesses" [Small Business Financial Adviser, July].

One important subtopic that comes up with my clients—and that I thought received too little mention in your article—is liability coverage. For businesses of any size, this can be the most important part of insurance coverage.

There are two types of liability coverage that a home-based business person should consider. One is professional-liability coverage—a necessity for lawyers, consultants, ad agencies, and others who might become liable for damages resulting from their professional judgment and expertise. Coverage for legal defense is included.

Commercial-liability insurance covers a home-based business person if someone is hurt inside or outside the home office.

A packaged insurance policy—with rates based on the value of the business property, payroll, or the size of the premises—can provide a large amount of liability coverage for a very small extra premium. It would be a shame for small-business people to miss this benefit.

Karen Rosenberg Caccavo
New City, N.Y.

[Editor's Note: "Protecting Your Home Business" in the February 1995 issue contained more information on liability insurance for home-based businesses.]



ILLUSTRATION: GEORGIA LEIGH MCDONALD

Two Banks Object To Our Illustration

In the illustration accompanying "Scam Artists Never Sleep" [July], you portrayed a "Scam Co." posing as "Metro Bank." We at MetroBank, N.A., take great offense to the characterization this illustration implies.

MetroBank, N.A., is the ninth-largest bank in the Houston area. We are a preferred lender of the Small Business Administration and the Export-Import Bank. We work in conjunction with the Federal National Mortgage Association to provide mortgages to low-income families in the inner city. We have been serving Houston for nearly 10 years, and we continue to grow.

Our organization is dedicated to providing the most efficient, reliable, and trustworthy service to all our customers. MetroBank, N.A., is not a "Scam Co."

Eduardo U. Tioseco
President and CEO
MetroBank, N.A.
Houston

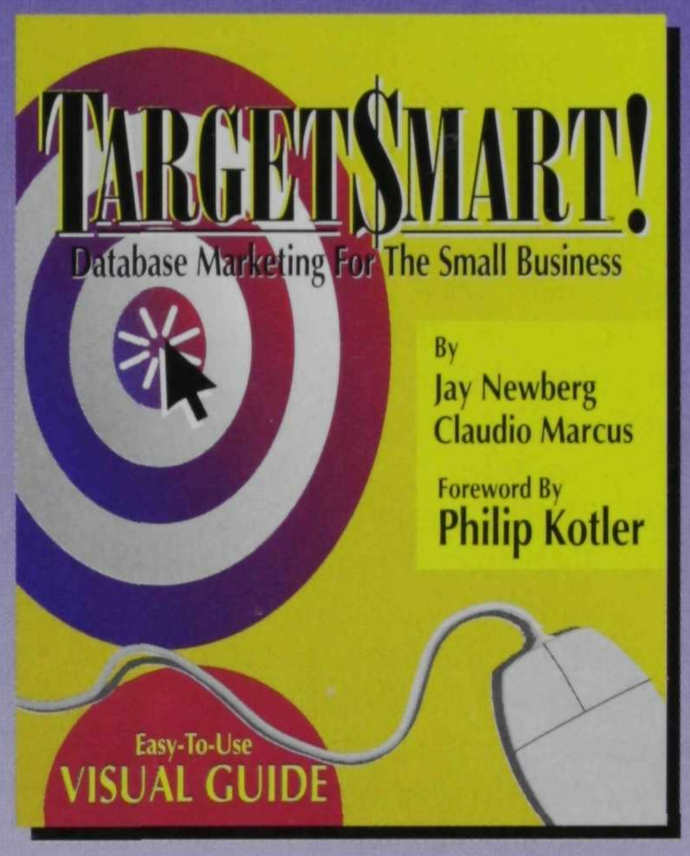
[Editor's Note: A similar letter was received from A.J. Adolph, chairman of the board of Metro Bank, based in Kenner, La. We regret any possible suggestion that a business operating under the name of Metro Bank might in any way be connected to a scam.]

You can communicate with Nation's Business *via:*

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ENTREPRENEUR'S NOTEBOOK

Good Things Come In Good Packaging

By Brooks O'Kane

If you stripped the label off a traditional bottle of Coca-Cola—the curvy, old-fashioned, small container—everyone would still know what it was.

And if you took away the bottle, the label still would speak volumes about the product.

You don't need Coca-Cola Co.'s advertising budget to get the recognition that comes with putting a superior product in a distinctive package.

As president of ClearVue Products, Inc., a Lawrence, Mass., company that makes glass-care products for home and automobile use as well as Red Cross Nurse-brand hospital disinfectant, I compete with a lot of name-brand giants. With just three employees, a small advertising budget, and only half-interest in a copy machine, that might seem impossible to do effectively.

You would recognize my competition's glass-cleaning products because they are blue. Mine, therefore, had to be different, and smart packaging was essential to set the company apart.

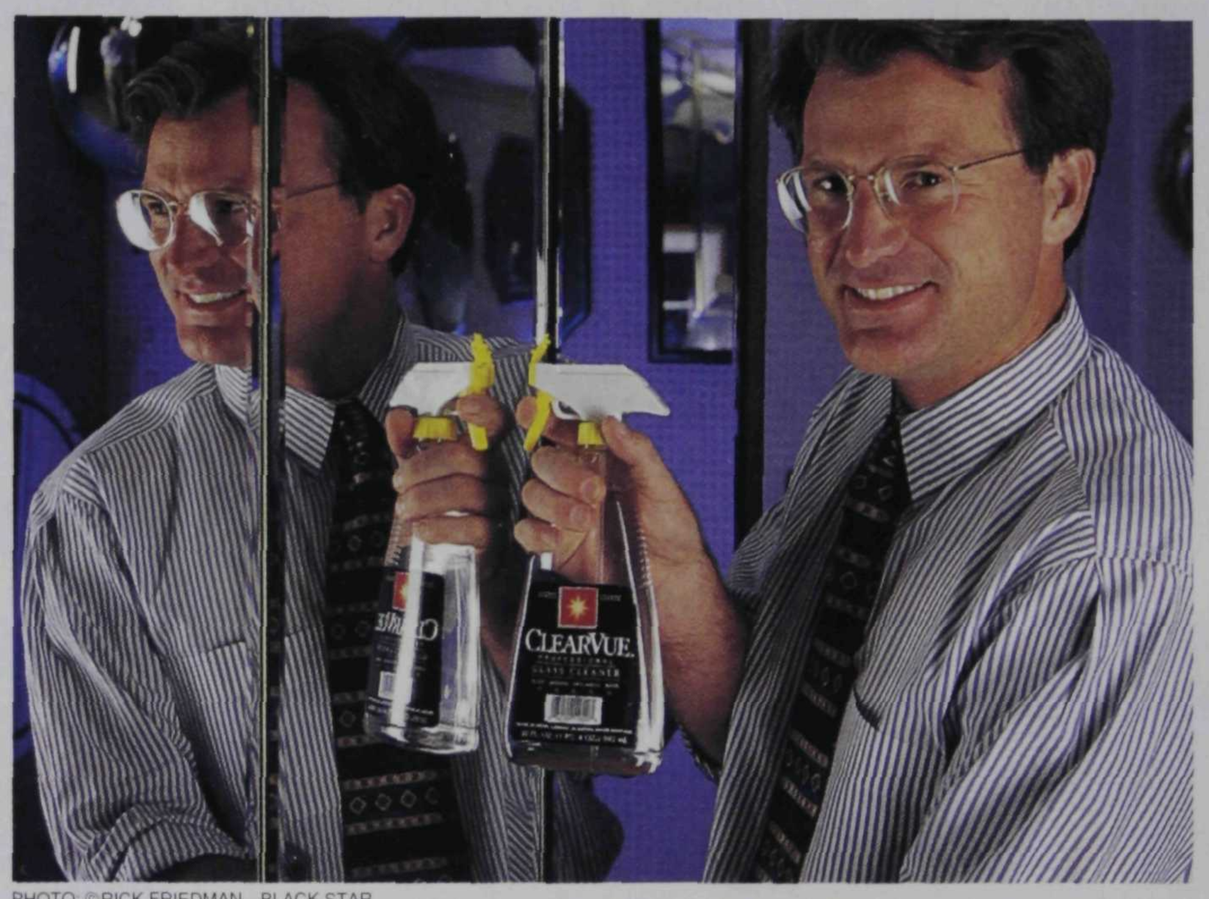


PHOTO: ©RICK FRIEDMAN—BLACK STAR

Effective packaging *is clearly one of the main ingredients of successful marketing, says Brooks O'Kane of ClearVue Products, Inc.*

With annual sales of $4 million and products ranging from ClearVue glass cleaner to Pro Tec Tint, a cleaner and protectant for the tinting on car windows, to Volcano Juice, a de-icing additive for windshield-washer fluid, we have succeeded in carving a place in the market.

Here are some secrets to making your products stand out on retailers' shelves:

Say it with graphics. No one needs to read the card on a bouquet of red roses to know the sender's message. Similarly, good packaging and thoughtful use of images can convey a lot about a product before a buyer even picks it up.

Our clear glass cleaner is in a clear bottle to reinforce the idea that this product will give you a clean, clear view through your windows. Pro Tec Tint is in a sleek, high-tech-looking black bottle to emphasize that it is an advanced formula designed for use on dark tinting.

The lettering for Volcano Juice, our newest product, has an explosive look to it, while the clear bottle and fluid allowed us to put the dramatic image of a smoking volcano on the back side of the label, giving us, in effect, two labels with which to convey the message that the product is an effective de-icer.

Choose your words carefully. When looking for a name for our new window-tint cleaner, I wanted to combine packaging that jumped off the shelf with a name that clearly conveyed the product's purpose. "Pro Tec Tint" said it all.

Written vertically down the front label of the solid-black bottle, the name lets buyers know that this is a professional-quality product, specifically formulated to clean and protect window tinting.

Use your package and label to their best advantage. As with the packaging for Volcano Juice, the clear bottles of our glass cleaners let us print on the back of the front labels, giving us space to tell our company story and the products' histories.

Be a standout, inside and out. The bouquet of roses sends a message, but it won't do the job if all the flowers are dead within 24 hours. Standout packaging gets people to buy once, but only the product keeps them coming back. If all you have is flashy packaging, customers will be disappointed.

Mark your territory with color. Though the overall image of each ClearVue product differs, each product's packaging is designed to use some combination of our company colors and the image of a sunburst so that customers know they are buying from us.

Check out the competition. Packages need distinct personalities. Examine your competition's packages, then develop a distinctive look of your own. The high-tech look of our window-care products is vastly different from the sterile white and decidedly retro look of our Red Cross Nurse disinfectant.

Whether it's a little package or a big one, everyone knows that the present with the biggest bow must be special. You can convey the same thing with good packaging. NB

Brooks O'Kane prepared this account with Contributing Editor Susan Biddle Jaffe. Readers with insights on starting or running a small business are invited to contribute to this column. Write to: Entrepreneur's Notebook, Nation's Business, *1615 H Street, N.W., Washington, D.C. 20062-2000.*

WHAT I LEARNED

Putting thought into making your products stand out on store shelves helps you carve a place in the market.

You have what it takes to make your

small business into whatever you want

accomplish more

it to be. We can help you in ways you

never thought of. From accounting

services to lines of credit to corporate

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Dateline: Washington

Business news in brief from the nation's capital.

MINORITY BUSINESS

Hispanic-Owned Firms Set The Pace For Growth

The number of Hispanic-owned businesses grew at a faster rate than all other categories of U.S. businesses from 1987 to 1992, according to the U.S. Census Bureau.

In its latest reports on minority-owned businesses, the Census Bureau notes that the number of Hispanic-owned firms increased 76 percent—from 489,973 to 862,605—between 1987 and 1992. The next-highest rate of minority-business growth was established by U.S. businesses owned by Asians, Pacific Islanders, American Indians, and Alaska Natives; the number of their companies grew by 61 percent in the same five-year period, from 439,271 to 705,672.

These increases outpaced the 26 percent growth rate for all U.S. businesses, whose numbers went from 13.7 million in 1987 to 17.3 million in 1992, and a growth rate of 46 percent for African-American firms—from 424,165 to 620,912—in the same period, according to the Census Bureau.

In the category of total annual receipts, however, the top growth rate was posted by the Asian, Pacific Islander, American Indian, and Alaska Native group. During the five-year span, their annual receipts increased 159 percent, from $40 billion to $104 billion. During the same period, total annual receipts for Hispanic-owned businesses climbed 134 percent, from $32.8 billion to $76.8 billion. Annual receipts for all U.S. companies rose 67 percent, from $2 trillion to $3.3 trillion.

The minority-business reports are part of the Census Bureau's 1992 Economic Census. More-detailed information from these reports is available on the Census Bureau's Internet site at *http://www.census.gov*, or by calling the bureau's minority- and women-owned business information staff at (301) 763-5726.

—Sharon Nelton

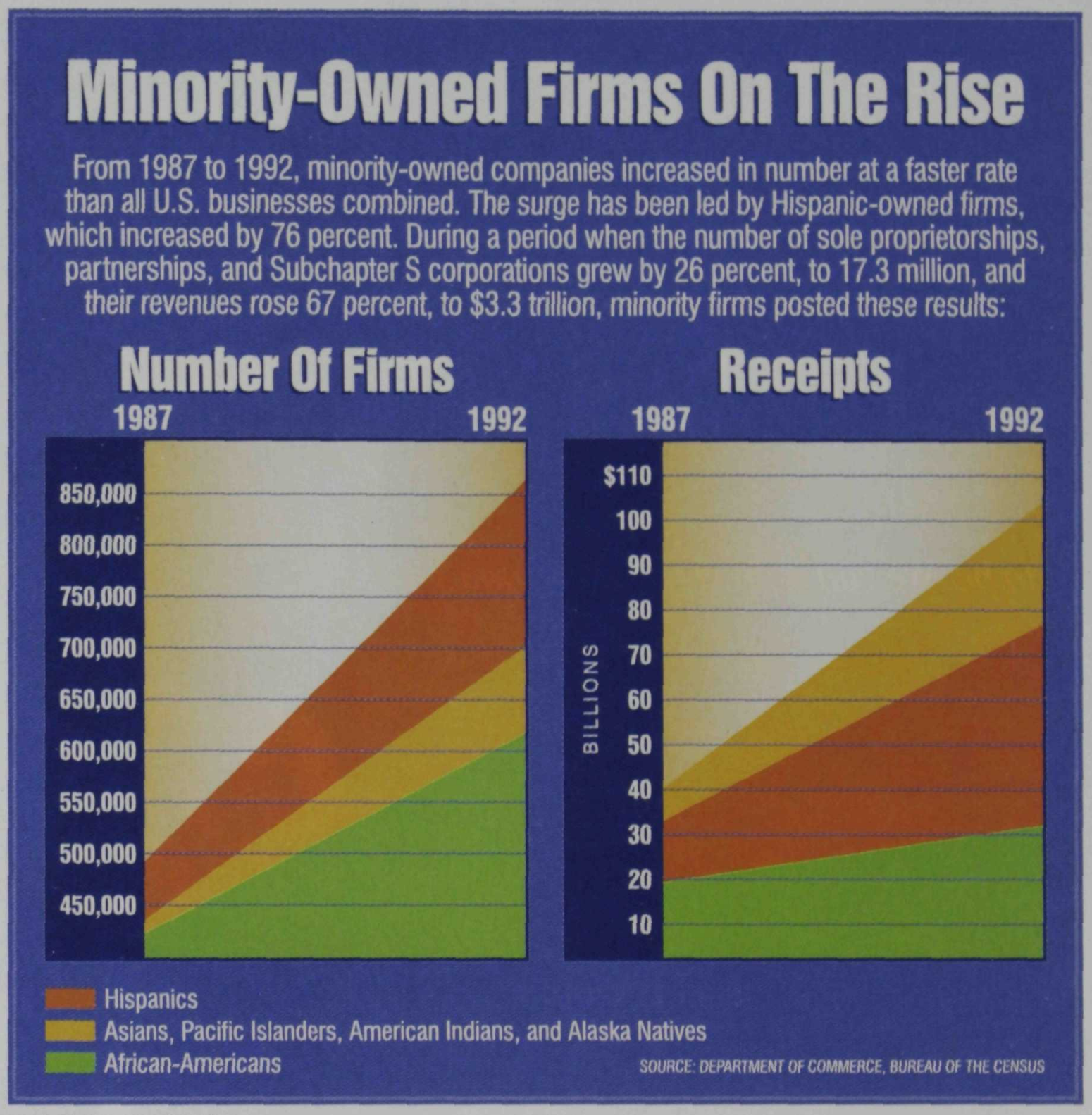


CHART: GEORGIA LEIGH MCDONALD

HEALTH INSURANCE

Congress Unlikely To Cure Medicare Program This Year

Election-year politics seem likely to deter Congress from healing the Medicare program, which is on its last financial legs, according to the latest report of its six trustees. The report, issued in June, concludes that Medicare's Hospital Insurance Trust Fund, which pays for inpatient hospital care for the elderly and the long-term disabled, will go broke as early as mid-2000 unless revenue is increased or spending is curtailed.

Last year's assessment of the trust fund's health projected that insolvency would come sometime in 2002 unless Congress overhauled the program. The trustees are more pessimistic this year because expenditures from the fund exceeded income in 1995. It was the first year the fund had run a deficit since it was established in 1965.

Revenue is collected in the trust fund from a 2.9 percent tax on wages; the tax is split equally between employer and employee. In their report, the trustees said that to keep the fund solvent for the next 25 years in the absence of restraints on the growth rate of spending for the program, the Medicare payroll tax would have to be increased immediately to 4.86 percent—2.43 percent each for employer and employee.

While the trustees—four of whom are members of the Clinton administration—did not recommend increasing the payroll tax to bail out the program, attempts by congressional Republicans to slow the growth rate of Medicare spending have been opposed by President Clinton and congressional Democrats.

Moreover, recent television and radio ads sponsored by the AFL-CIO in selected congressional districts of Republican incumbents say that GOP lawmakers are trying to "slash" Medicare. In fact, the GOP's 1997 budget proposal calls for increasing Medicare spending from about $5,200 per recipient now to $7,000 by 2002.

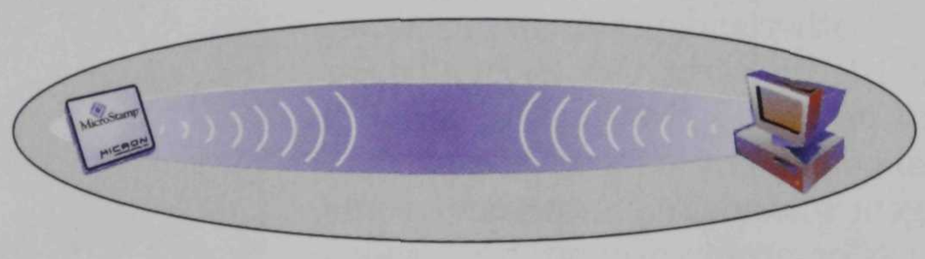
—David Warner

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Circle No. 20 on Reader Service Card

Managing Your Small Business

A program to help small firms improve operations; tracking leads; honing a company image.

By Roberta Maynard

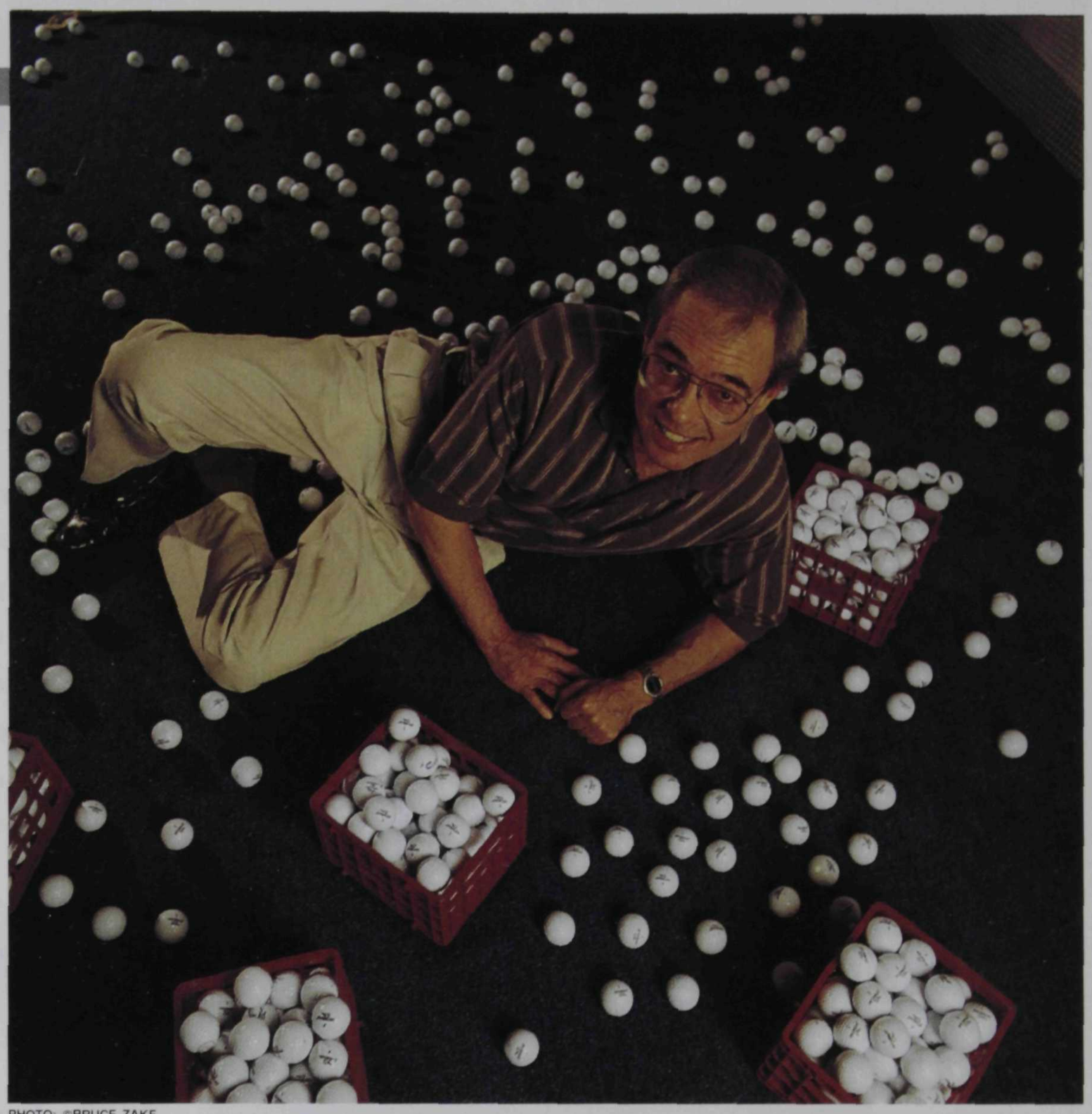


PHOTO: ©BRUCE ZAKE

A federal program *that provides low-cost consulting assured Rich Sutherland that his golf-ball factory was up to par on compliance with environmental rules.*

EXPERTISE

Putting Manufacturers On The Right Course

Concern about whether his golf-ball factory was in compliance with Environmental Protection Agency regulations led Rich Sutherland to a technology center that offers low-cost consulting to firms like his. The center, in Cleveland, is part of a network of locally managed organizations in 50 states that help small and medium-sized manufacturers with technical and business problems.

The field agent sent by the center assured Sutherland that he was in compliance and recommended several actions to improve the factory's efficiency. In implementing those suggestions, Sutherland improved work flow by relocating some machinery, and he reduced costs by making changes in the storage and disposal of waste materials.

"The changes made us more efficient and will allow us to expand in a more organized way," says Sutherland, president of Sutherland Golf, Inc., in Barberton, about 40 miles south of Cleveland. "Now we can bring in additional equipment to increase capacity."

The agent who advised Sutherland works for a not-for-profit organization called CAMP, Inc. It is part of the nationwide network, called the Manufacturing Extension Partnership, a program of the federal government's National Institute of Standards and Technology.

About 25,000 companies have used the program since it was begun seven years ago. Typical services include information on operating new equipment, switching to automation of systems, lowering waste, expanding markets, and finding capital for modernization efforts.

The cost of the technical assistance and the amount of time it requires vary with the project. Sutherland paid $100 for the assistance he received, which included two visits to his factory.

To link up with the program's nearest affiliate or its headquarters in Gaithersburg, Md., call 1-800-MEP-4MFG (1-800-637-4634).

Information is also available through the program's home page at *http://www.mep.nist.gov* on the Internet. ■

SALES

Leading The Way To Effective Marketing

A company's salespeople will do a better job following up leads if the firm's marketing department systematically separates mere requests for information from genuine leads rather than turning over all inquiries to the sales team.

That's the assessment of Dick Evans, president and CEO of AdTrack Corp., a Cedar Rapids, Iowa, firm that specializes in the development of leads for business-to-business sales.

The screening process should define the people most likely to buy, those not likely to buy at this time, and so on, Evans says. The marketing department then can use this information to establish a set of qualifications for genuine leads, much like creating a demographic profile.

By identifying what qualifies as a hot lead as opposed to a warm lead or a possible future lead, Evans says, the marketing department can assure the sales force that it is being informed of the opportunities that should be acted on the quickest.

Meanwhile, the marketing department can follow up on the remaining leads, investing resources accordingly. For example, warm leads may warrant a phone call and a letter, while possible future leads may be sent only periodic letters.

At the same time, the marketing people will gain credibility with the sales team by showing that they know that not all inquir-



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ies represent qualified sales prospects.

Here are a few tips offered by Evans:

■ Get the field salespeople's thoughts on matters such as the criteria for qualifying prospects and how they like to receive their sales leads—by voice mail, e-mail, fax, or mail.

■ Rank all inquiries, and forward only qualified leads to the sales staff.

■ During implementation, seek the sales manager's endorsement and support of the system, and ensure that someone in the marketing department understands how the system operates.

■ Be sure there is a performance audit trail that lets you evaluate the comparative quality of inquiries, measure salesforce follow-through, and determine the percentage of leads that each salesperson ultimately closes as sales.

BUSINESS SERVICES

Calling For A New Long-Distance Carrier

When shopping for a new long-distance carrier, business people should consider several factors that can save money. Susan Hayzlett, owner of the Quadrant Co., a telecommunications consulting firm in Cypress, Calif., offers these tips:

■ Beware of a flat fee called "billing expenses." If a company can't explain these charges and won't waive them, look for a carrier that will.

■ Any carrier can beat a price quote at a given time. Do your own comparison; ask for the cost per minute and the available discount percentages (based on how many minutes or dollars you spend per month).

■ Ask about customer-support hours and availability. If the phone is the lifeline of your business and you spend valuable time on hold trying to reach a customer-support person, that carrier probably isn't the one for you.

■ Read the fine print. When you commit to a term, you are locked in unless you pay a penalty to change. Also, if you fall short of the agreed-upon minimum usage, the carrier may be able to bill you for the shortage.

■ Look for billing that charges you in six-second increments rather than full minutes. With this feature alone, companies can typically shave 10 to 15 percent off their phone bill, Hayzlett says.

■ Shop for discount programs available through your local or state chamber of commerce or trade association. Pooling your costs can get you a better price per minute.

MARKETING

Brewing Up A New, Distinctive Image

A 20-year-old service firm in search of a more distinct image found that by treating itself as a brand, it could craft a dynamic new marketplace position in a crowded field.

Assessing what it was and what it wanted to be were the first steps in that process for Decker Advertising, a small agency in Glastonbury, Conn. What followed were some fundamental changes in operations to make the firm more responsive and competitive.

For example, the company adopted a procedure that is almost never used by small agencies: gathering input from consumer panels and focus groups. And, to provide better service, the firm changed its operating structure from departments to teams—self-contained units that handle clients' work in seamless fashion from beginning to end.

"The first thing was to [hone] the product we offered," says Craig Cheyne, Decker's president and CEO. "Next was to figure out how to position our services."

Cheyne didn't want to suggest that the company was large, but he also wanted to avoid the image of a small, local agency. The characteristics he wanted to convey in a kickoff promotion for the new services were quality, passion, unpretentiousness, craftsmanship, and a fun, relaxed attitude.

He saw natural parallels between those characteristics and those of microbreweries—feisty upstarts that are small-company responsive but big-company competent.

The challenge was to package the characteristics in a way that would attract attention. The solution was a whimsical promotion aimed at top business executives nationwide: They received a bottle of beer made by a brewery near the ad agency but bearing Decker's new company logo, featuring a wild little guy named Deckerhead and a tag line calling Decker "America's Premier MicroAgency."



PHOTO: ©GAIL ZUCKER

A promotion that equated *Craig Cheyne's small advertising agency with a microbrewery added some gusto to the firm's image.*

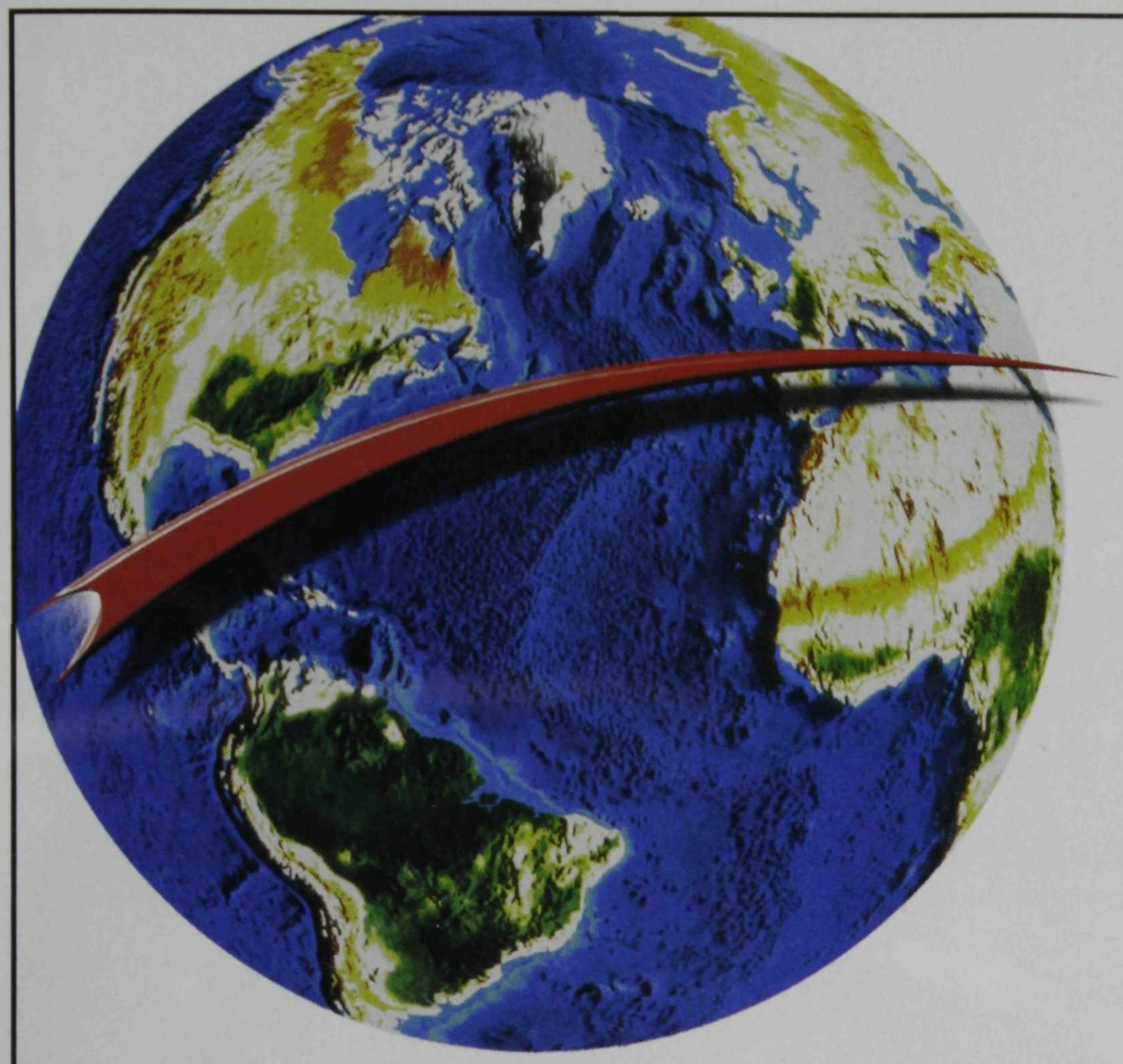
Continuing the beer analogy, the ad material highlighted Decker's use of only the finest ingredients, and its secret recipe, unfiltered quality, and superior finish.

Before starting the promotion, the company introduced the new image to its clients, a step that Cheyne says was essential to gain their support and make them feel they were part of the firm's evolution. Decker's managers talked with all the clients, made presentations to some, and had a party for the largest one.

It has been less than a year since the image change, so it's too early to tell if the campaign has increased revenues, but response from prospective clients has been noticeably different. "It has changed our outlook," says Cheyne. "We are doing work for companies all over the country now. I'm getting calls back from top executives of large companies [as a result of the promo package] before I can call them."

What's important is that the firm has an image it can grow with, says Cheyne, whose 32-person agency had $25 million in billings last year. "We could become three times the size we are and still have the same passion and closeness to the customer," he says. "Without this, we're one of 15,000 agencies.

"More than a funky logo and a bottle of beer, we've created a new category. You really can treat your small service company as a brand and create a distinctive position for it." NB



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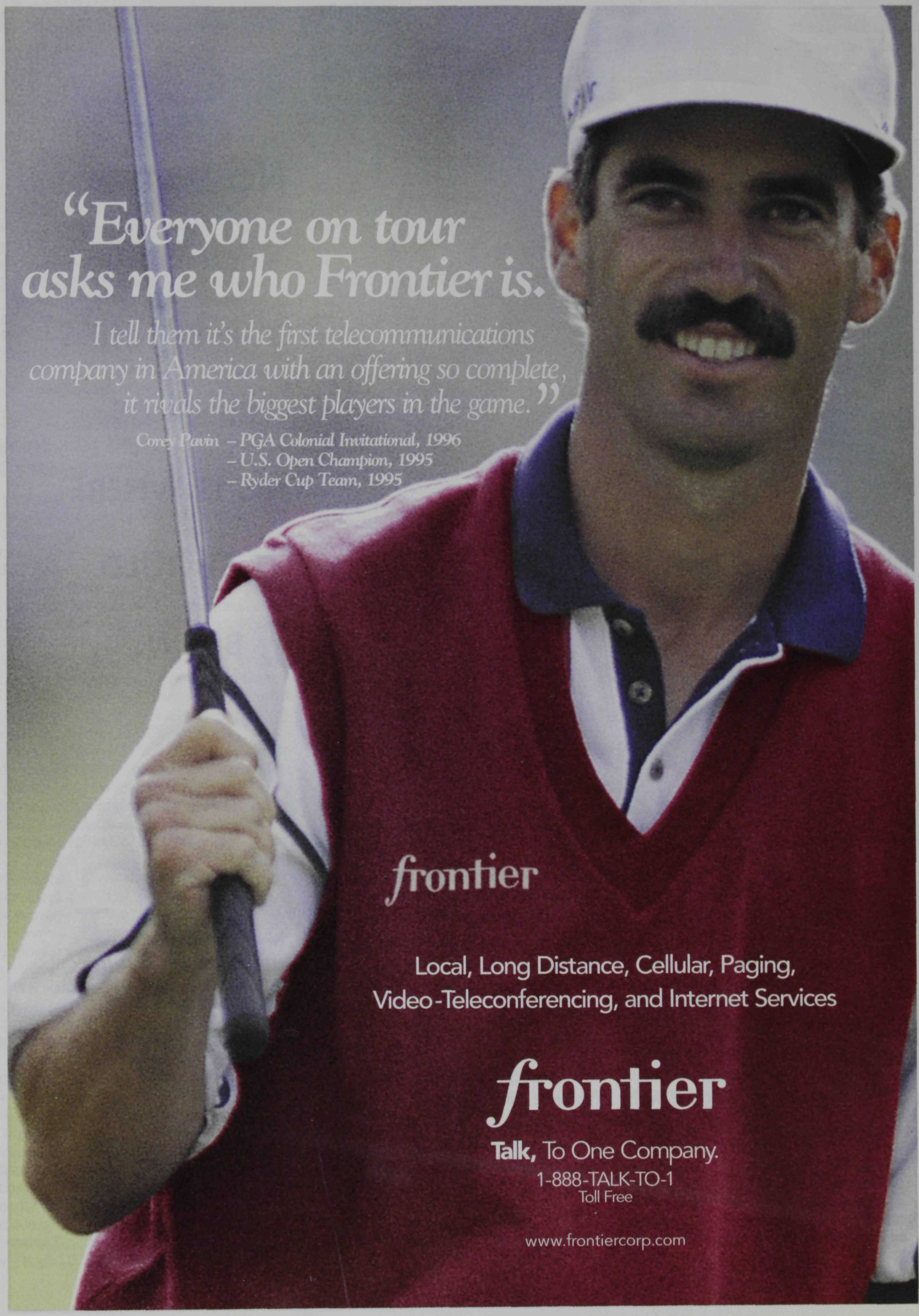
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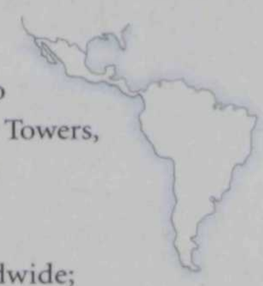
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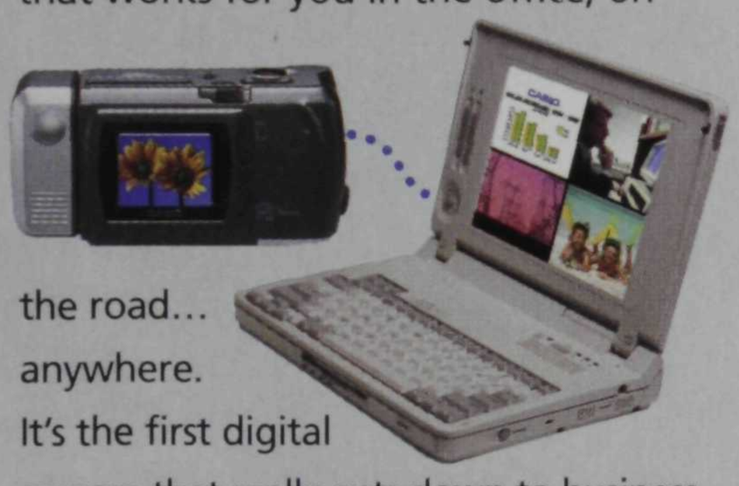
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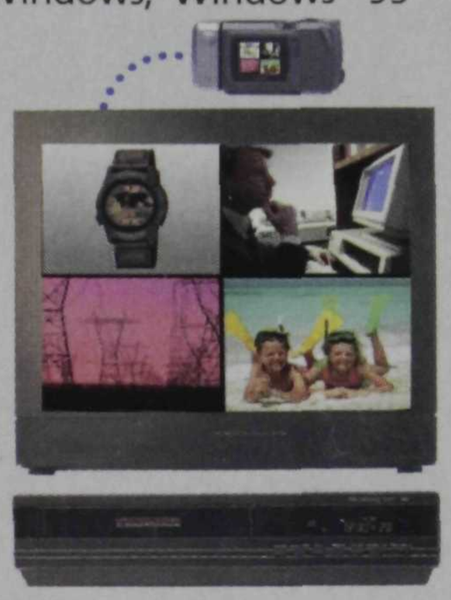
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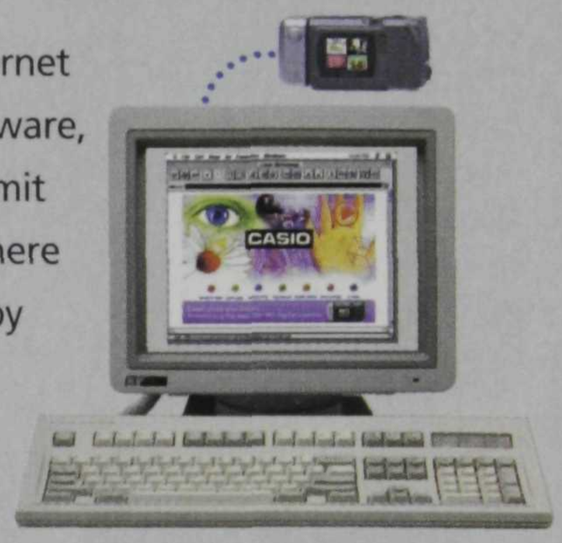
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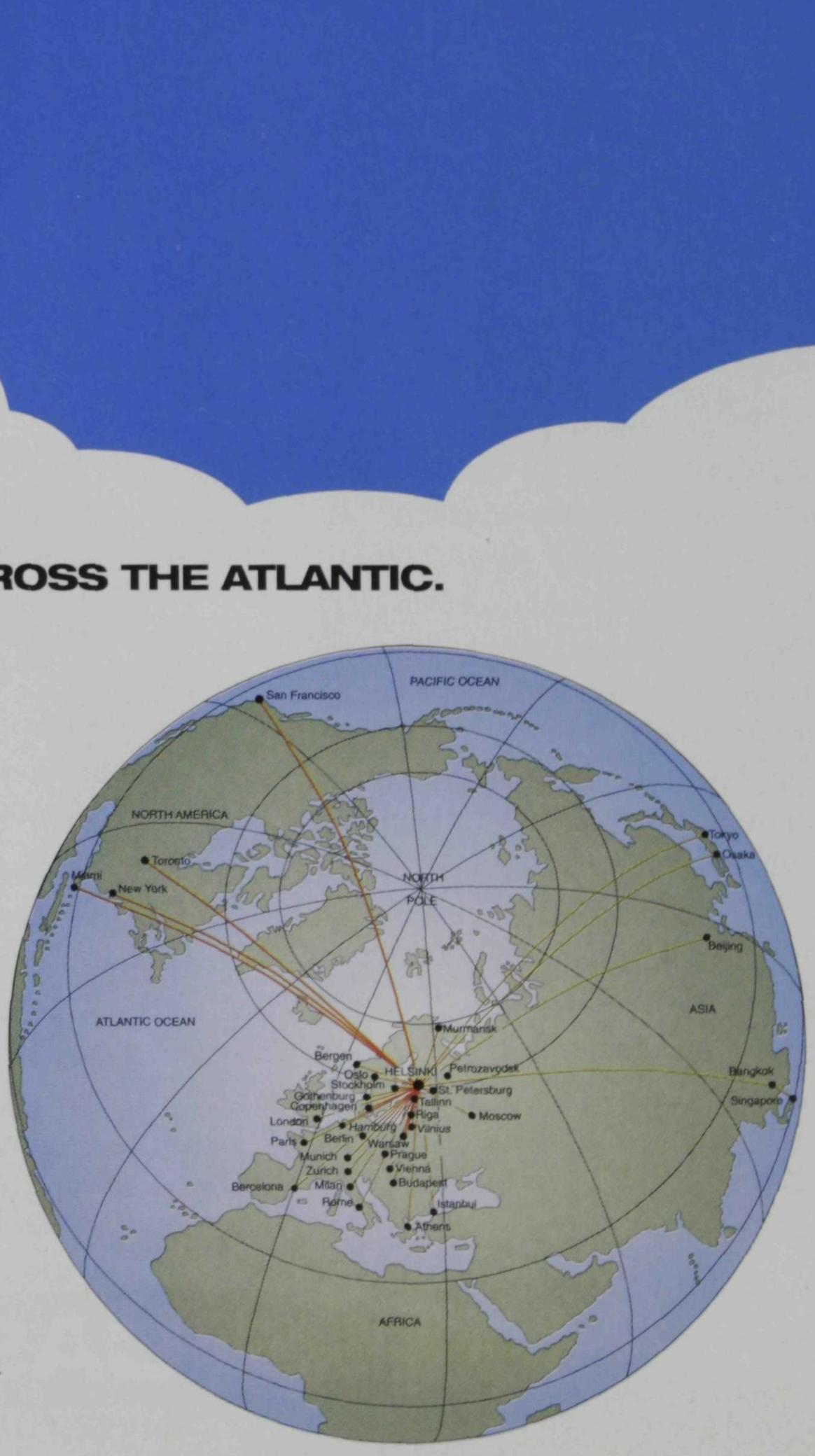
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Getting The Show On The Road

By Kate Convissor

"I was a loser. A bum. B-U-M."

Bob Kramer does not look like a bum. He is portly, in his mid-60s. A sleek, champagne-colored Jaguar sits outside his office window. His fingers are weighted with gold rings.

"I never thought he was a bum," says his wife, Judie, who is petite and has a mane of upswept white hair. She is gold and glitz, too, a vestige of the couple's years touring as a nationally known magic act, Kramer & Co.

The Kramers still have a road show, but now the magic emanates from their entertainment agency, in Grand Rapids, Mich. Pick a day, any day, and the Kramers will have 68 employees on the road bringing their game shows, independent acts, and patented virtual reality machines to trade shows, corporate events, and about 3,600 college campuses around the nation. An additional 25 employees at the headquarters do the booking and routing.

In 1995, Kramer International had revenues of $7 million, and it is expected to grow its customary 20 percent again this year. International sales are small but growing.

Pretty good for a bum.

Thirty-odd years ago, Bob Kramer was earning $67.50 a week at a party-supplies store while Judie taught piano lessons and cared for their two sons. He learned a few magic tricks from Judie's uncle, and Mr. Bob, the Man of Magic, was born. His first gig was for a local father-son banquet. He earned $35, plus a $10 tip.

The dates multiplied, and Judie joined the act. Bob impaled her in a sword chamber and burned her alive in a fiery illusion he invented. Through dogged persistence, the Kramers eventually won a chance to perform for Jack Reed, a high-profile booking agent in Detroit. Reed took them on, and the Kramers hit the big time.

For the next decade, they crisscrossed the country, performing at corporate functions and opening for stars such as Tammy Wynette, Kenny Rogers, and Willie Nelson.

In the late 1970s, the corporate-entertainment market collapsed with the economy. The Kramers went with a new agent, who suggested that they try the college market. "We didn't even know there was a college market," says Bob.

It proved to be a niche hungry for the kind of professionalism and sophistication the Kramers brought. The money was better and the miles fewer. They got to know the right people on campus. When their agent left the industry, the Kramers were ready to build an entertainment agency of their own.

Bob set up shop on the kitchen table and began phoning contacts, booking his own act and a few others. By 1984, what was then known as the Kramer Entertainment Agency had moved from the kitchen table to an office building.

Judie kept the books; Bob began to develop his own products, such as live comedy and game shows, which gave the company more control and a bigger profit margin.

Today, the Kramers can liven up a corporate or college event with a game show or with "Fun Flicks," a state-of-the-art mobile video-recording studio. Customers can book a garden-variety virtual reality game, or they can order one of the Kramers' patented cyberspace adventures, such as the Omega, a machine



PHOTO: ©TOM GENNERA

Entertainment entrepreneurs *Judie and Bob Kramer show off the Omega, a machine that simulates rides on five of the nation's scariest roller coasters.*

that simulates roller-coaster rides. It was on the strength of its high-tech gizmos that Kramer International was invited to provide entertainment during the Summer Olympics in Atlanta.

While Bob loves dreaming up new concoctions of circuitry, sound, pictures, and motion, the price tag to develop one usually begins at about $100,000. The Kramers borrow warily and prefer to pay in cash. "We're very cautious about borrowing," says Bob. "We own everything."

Adds Judie: "Besides, would you loan money to a magician?"

Even after all the years of impaling and burning alive, the Kramers are still best friends. For both of them, the show has been its own reward, and it still goes on. ■

Kate Convissor is a free-lance writer in Alto, Mich.

Looking For Ms. Goodwrench

By Joan Boram

When licensed mechanic Margie Seals was about to launch her Atlanta automobile-repair shop, My Favorite Mechanic ... Is A Woman, in 1992, a business consultant had some advice for her: "Think pink."

"He insisted that the business would never succeed unless we capitalized on the 'cuteness' of the idea and wore pink coveralls," says Seals, still incredulous. "He also insisted that we paint our truck and our building pink!"

Seals' prospective partner believed the consultant and withdrew her financial support when Seals refused to go along. Without the woman's $6,500, Seals couldn't open.

Seals had operated her own mobile-repair service for seven years, practicing her healing arts in patients' driveways. "By 1992, I had three trucks on the road, including mine," says Seals, a former Army sergeant who supervised a motor pool. "But I realized that the amount of money I could make [in mobile-repair work] was finite. For one thing, time spent traveling to and from jobs was nonproductive."

And it bothered her that she lacked quality control over her employees' work. "It wasn't that I didn't trust them," she says. "It was just that I couldn't see their final product."

There was only one thing to do: open a shop. "The years on the road were an education," says Seals, "but it was time to try something else."

After the woman with the $6,500 backed out, Seals' mother insisted on lending her the crucial cash. "I was afraid I'd lose her money," says Seals, "but I was so desperate I took it."

Mom wasn't worried, and Seals needn't have been. As soon as My Favorite Mechanic opened, cars were lined up for repairs. Many of Seals' first customers were clients from her mobile-repair days. "After three weeks, I was on the phone looking for five good mechanics," she says. "I still have a standing offer of a $100 reward for anyone who finds me a good mechanic."

Female mechanics are scarce, so most of Seals' mechanics are men. She says a staff of six is ideal, but sometimes she is down to two, plus herself. "Grease monkeys and parts changers are plentiful, but good technicians are hard to find," says Seals.



PHOTO: T. MICHAEL KEZA

Auto mechanic *Margie Seals of Atlanta wins customers with quality car repair.*

The high point of the first month was the day the consultant whose advice Seals had rejected came in to have his car fixed. "He saw the volume of business I was doing, and he looked sick," Seals says with a satisfied smile.

The consultant probably looks even sicker now. In 1993, My Favorite Mechanic's first full year of operation, sales totaled $438,000. In 1995, sales reached $607,000. Late last year, Seals purchased the 13,000-square-foot building that houses her business and bought a new hoist. And she took her mother on a Mediterranean cruise.

Seals says that about 70 percent of her customers are women and that almost all the students in her free car-care classes are women. Women customers also are invited to come into the shop to be a mechanic's gofer for a day.

"Women buy 50 percent of new cars, and yet when they get an estimate for repairs, they often don't understand the language," says Seals. After a day with a mechanic, she says, women usually have "learned something about the inner workings of an automobile."

Seals' mechanics don't have to deal with customers; they're free to do what they do best—repair cars—and like not being distracted by customers offering suggestions or wanting detailed explanations.

That's not to say that customers are neglected. The shop's general manager, Kerry Guthrie, is the essence of tact and patience as she explains what's being done and why and assures customers that their cars will be ready as soon as possible.

A key to Seals' success is strict quality control: She has almost no returns or even complaints. The shop uses only manufacturers' parts. "We get less markup, but they're the highest quality," she says. When a vehicle is finished, Seals checks it, takes it for a test drive, and makes sure it's clean.

Seals says auto repair is "an ideal job for a woman, and the field is wide-open. Women are detail-oriented, and their smaller hands enable them to get into a car's crowded crevices. Most parts weigh no more than a pound. Computerized engines have reduced the need for brawn. The emphasis now is on brains." ■

Joan Boram is a free-lance writer in Ferndale, Mich.

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If The Shoe Fits . . .

By Roberta Maynard

This is the story of a woman who just can't resist an opportunity. That entrepreneurial trait led Paula Sussex to open and simultaneously operate two very different businesses—and now has her hankering for still more challenges.

In the spring of 1983, Sussex lost her job as a buyer for a retail chain in Hawaii when the company decided to sell its stores. A week before her last day on the job, an employee at the Maui store, in Kaanapali, asked if she would be interested in finding a way to keep the store open. One thing led to another. She worked out a business plan, went to the bank, and, within seven days, had bought and begun operating the store with the existing employees and under the same name: Sandal Tree.

The store offered some hats and wallets, but its footwear selection was limited to just one type of shoe—albeit in four colors and two styles, a thong and a slip-on—which she had persuaded manufacturers to send without advance payment.

Luckily, customers in the upscale Hyatt Regency Maui, the store's location, liked the shoe. "People came in and thought it was a concept store," Sussex recalls with a smile. On the first day of business the store did $1,000 in sales, and it showed a profit from the second month on.

Four years later, a developer who was renovating two hotels offered Sussex the chance to open a store in each. She signed the leases—but then the bank said "no."

"I was going against business principles—opening two stores at the same time," she says. "What had to be explained was that the nature of my business had been in destination, resort hotels. They're not building those every day. It just so happened that two were opening at the same time. This was my opportunity knocking, and I had to take advantage of it."

She went from bank to bank until, finally, she found someone who understood. "You can tell right away if somebody at the bank feels comfortable with you and believes in you. If they do, they can sell [your proposal] to the loan committee."

She got the $300,000 she wanted—a $250,000 loan and a $50,000 line of credit—and opened Sandal Tree stores in Westin hotels on Maui and Kauai.

Operating three stores was far different from operating one, says Sussex. She found herself working seven days a week and in desperate need of help. Finding someone to handle clerical work at her office, which was in her home, proved nearly as daunting as finding financing. After hiring and losing six people in a year, she ran an ad that painted a candid—and boring—picture of the job, and she found a dedicated older woman who enjoyed working alone.

"I learned something there," says Sussex. "Don't make a job look glamorous if it's not. If what you want is just an ordinary person to do ordinary work, say so."

Then, Sussex had the opportunity to open a fourth store, on Hawaii, the Big Island. This time her banker balked. There was no surf, and that meant there wouldn't be enough tourists, he thought.

Knowing that her banker couldn't sell the idea to the bank's loan committee if he himself didn't believe in it, Sussex flew him from Honolulu to the Big Island, which he hadn't visited in 10 years, and took him on a tour of the big resort hotels and retail areas.

The proposal was approved. Sandal Tree No. 4 opened in 1988 on the Kohala Coast, and in its first year it doubled its sales projections. Getting financing for her next two stores was a breeze.

By 1993, Sussex was looking for ways to expand the business. She had done research on espresso bars and learned that the leasing manager of a Honolulu hotel wanted to add one. It was a chance to start her own business from scratch—with a name, look, logo, and product of her own choosing.

She learned about coffee, bought equipment, and signed a lease to open the first Kimo Bean Coffee Co. store, offering 100 percent Hawaiian coffee. Kimo—Hawaiian for James—was chosen as the name of the coffee-bean character she would use in her logo.

It turned out that selling coffee was not the same as selling shoes.

"The first month was a disaster," she says. The next few months "went up and down" as she grappled for the first time with the day-to-day challenge of maintaining a consistent product. But eventually the operation got on an even keel.

"You stretch out of your comfort zone so far; that's the part I like," she says. "Then you grow, and after you go through that growth period, you feel great and it's fun."

Sussex opened a second Kimo Bean in September 1994. Together the two stores generated revenues of $1.3 million last year, while the Sandal Tree operation took in $4.4 million. Sandal Tree/Kimo Bean Coffee Co. was named a state honoree in the 1996 Blue Chip Enterprise Initiative program, which recognizes small firms that have overcome adversity and emerged stronger as a result.

Sussex still approaches expansion one opportunity at a time. Would she consider expanding beyond Hawaii or perhaps branching into a third concept? "I'm always open to opportunity," she says. NB



PHOTO: ©KEN SAKAMOTO—BLACK STAR

Not content *to own six sandal boutiques, Paula Sussex started two espresso bars as well.*

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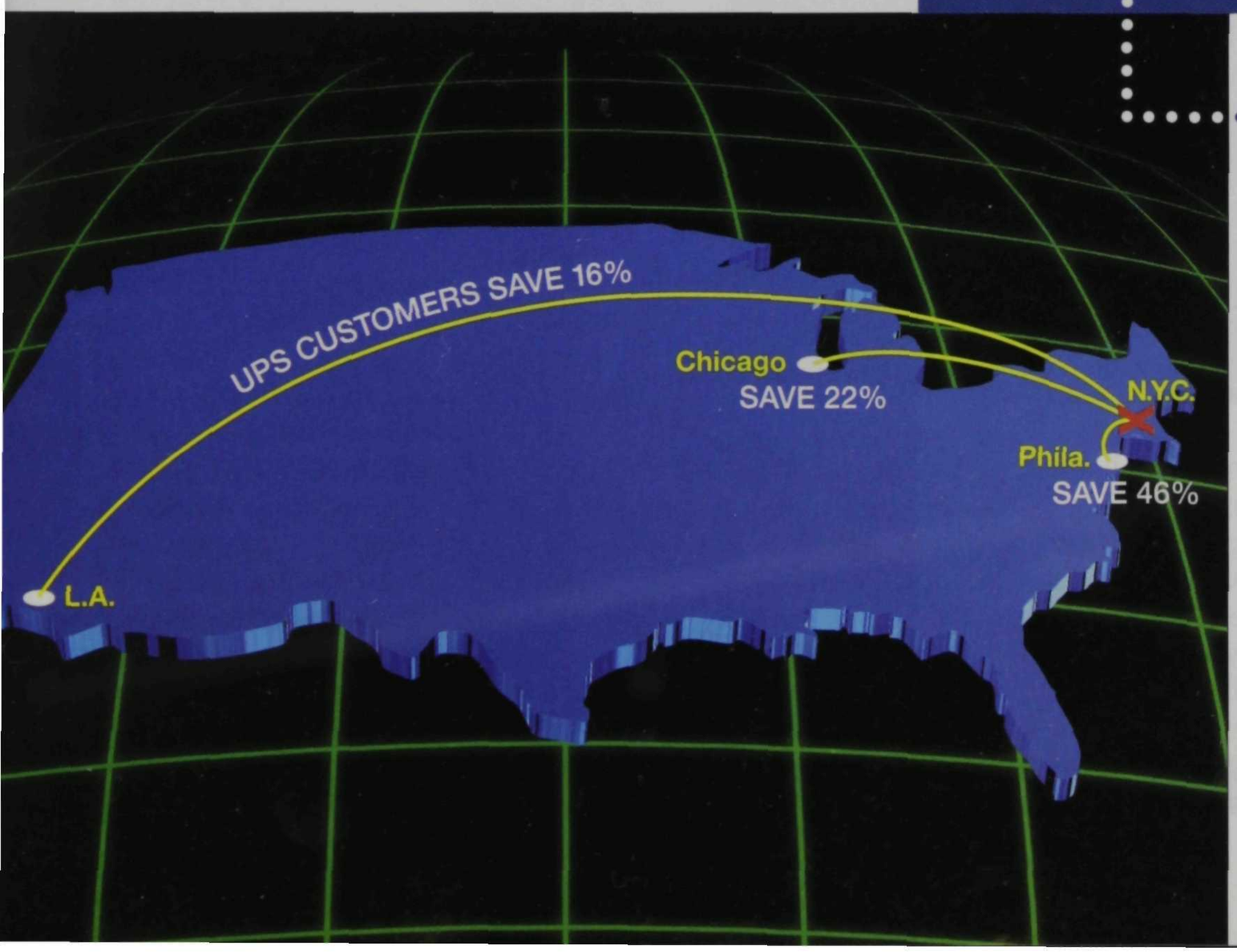
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COVER STORY

The Flip Side Of Downsizing

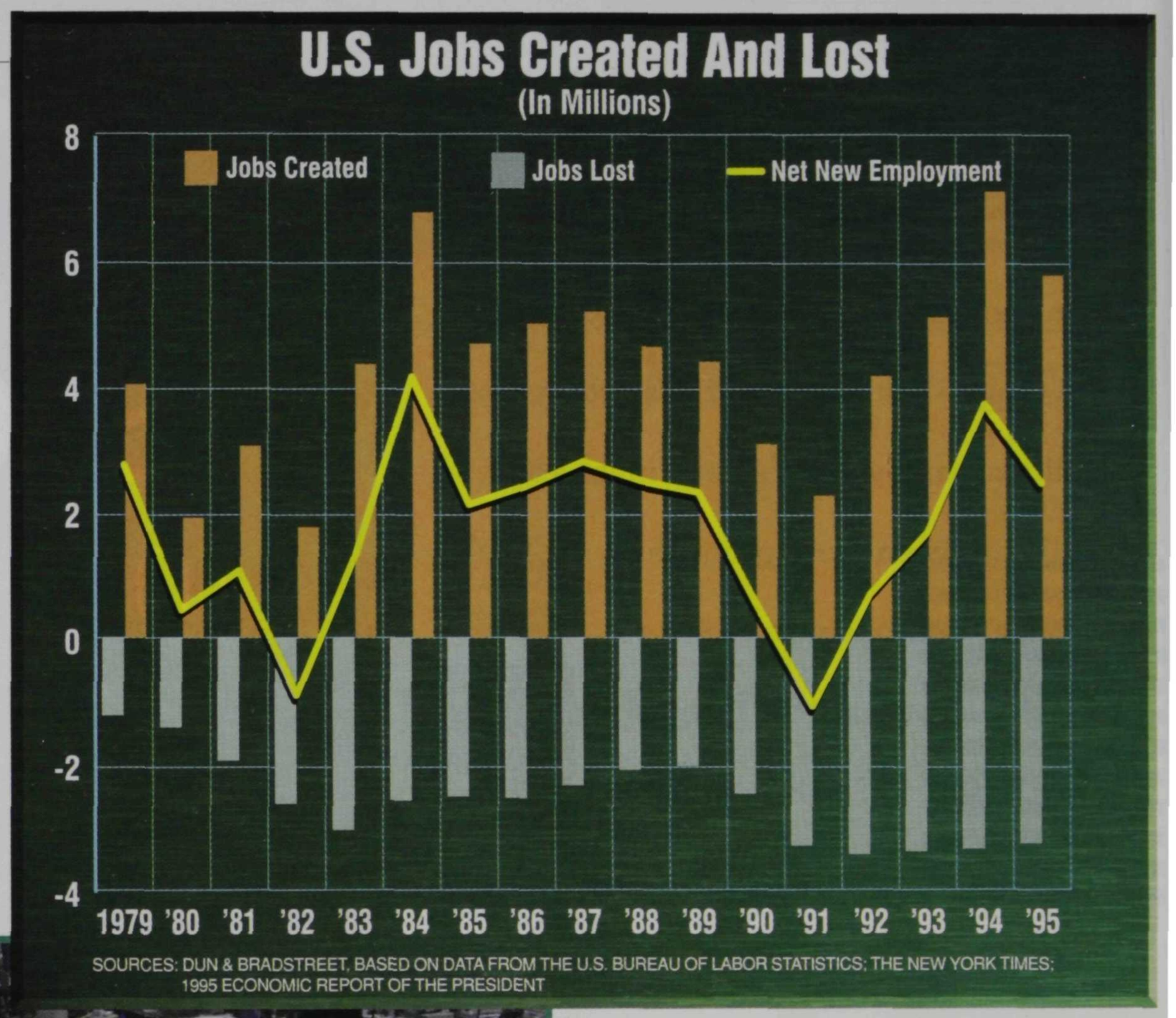
By James Worsham

Pick up the Sunday edition of almost any big-city newspaper. For many readers, the most important story may not be on the front page. It may be the one told in a more subtle way deep inside—in the employment section of the classified ads: There are jobs—and plenty of them.

Despite the celebrated accounts of corporate downsizing and announcements of layoffs in the tens of thousands over the past several years, the U.S. economy is adding more jobs than it is losing.

"The overall picture is one of continued new-job creation," says Murray Weidenbaum, chairman of the Center for the Study of American Business, at Washington University in St. Louis. "Jobs are being eliminated, but many new jobs are being created at a far more rapid rate."

In fact, from 1991 to 1996, the U.S. economy—and the businesses that drive it—created 15.5 million jobs a year while shedding 14 million, for an annual net increase of about 1.5 million jobs. The figures are contained in a report from the Committee for Economic Development (CED), a New York City-based public-policy research organization made up of business people and educators.





Put another way, net new jobs are coming on line at the rate of well over 100,000 a month, according to the U.S. Bureau of Labor Statistics. The U.S. unemployment rate has averaged about 5.5 percent this year—relatively low, historically—and even dipped to 5.1 percent in August, the lowest level in seven years.

While some skeptics acknowledge that the number of jobs is increasing, they question the quality of positions being created. But indications are clear that the job market has some nice work available for the unemployed.

John A. Challenger, executive vice president of Challenger, Gray & Christmas, a Chicago outplacement firm that tracks layoffs, answers the skeptics this way: "There are quality new jobs. This is a noteworthy part of all this. These are skilled jobs; they're looking for people with skills."

President Clinton's Council of Economic Advisers says "the news is encouraging." Drawing on data from the Bureau of Labor Statistics, it notes that:

- Most of the net growth (68 percent) in full-time jobs between February 1994 and February 1996 occurred in job categories paying above median wages. And most of those new jobs were in occupations in the top 30 percent of wage levels.
- In the fast-growing but mostly low-paying service industries, job growth over the two-year period took place in the better-paying managerial or professional-specialty jobs, such as those in financial-services firms, hospitals, and computer companies.

So if the job picture appears bright, why have the headlines been dismal, and why are workers anxious?

While layoffs and plant closings at big-name corporations become news stories that make even those still employed edgy about their jobs, the creation of jobs in small firms rarely shows up in daily

- ✓ More U.S. jobs are being created than lost.
- ✓ Most of the new jobs pay above-average wages.
- ✓ Technology, global trade, and deregulation are driving the major economic shift taking place.
- ✓ "Job churn" signals a healthy economy.



newspapers or on TV news programs.

Small-business job creation is more widely dispersed in the work force of 127 million employed. New jobs in the small-business sector typically come on line across the spectrum of firms and in small numbers at any given company. Thus, per-company job gains are not as dramatic or as readily chronicled as, for example, a layoff of thousands of workers at one company.

David Birch, president of Cognetics Inc., an economic-research firm in Cambridge, Mass., that tracks 10 million U.S. companies of all sizes, says almost all job creation is coming from small business. "The small firms are replacing more than they're losing, and the large ones aren't," he says.

Nonetheless, large businesses, many of which have drawn negative publicity and criticism for sizable layoffs in recent years, are adding jobs, too. Take, for example, Sears, Roebuck and Co., IBM Corp., AT&T Corp., Boeing Co., and Xerox Corp.—the firms that announced the biggest layoffs in the 1990s. The five companies' layoffs have totaled 197,000 since 1993, but they are expected to hire about 46,000 people this year, according to Challenger, Gray & Christmas.

The shift from laying people off to bringing new workers on board is a result of the evolution of these companies. As part of their restructurings, they are moving into new product and service areas and are, in many instances, hiring people with skills different from those previously required.

Similar ebbs and flows of jobs are taking place in many industries. In the computer and telecommunications sectors, for example, some companies have had layoffs—some were massive—while other firms, including new ones, have hired thousands of workers.

Nonetheless, companies in most sectors of the economy do have fewer employees than they did in prior years. "There's been a general downsizing in the whole economy," says W. Michael Cox, vice president and economic adviser for the Federal Reserve Bank of Dallas. "Until 1980, there was an upsizing. But in 1980 things turned around. That's when the computer came into the workplace in a major way."

Figures that Cox developed show that the average company size—based on the number of employees—for all industries shrank about 10 percent from 1980 to 1993. For sectors such as manufacturing, construction, and transportation, the number of employees decreased 25 to 30 percent. In retailing and some service sectors, which are expanding, the total number of employees per company increased slightly.

The recent downsizing, mostly in the manufacturing and industrial sectors, differs from that typically experienced during a recession, and that has created much of the anxiety among Americans over their jobs and job security.

During a recession, companies have little choice but to impose layoffs to weather the economic downturn. But even after the most recent recession ended in 1991, massive layoffs continued. "As we recovered, what surprised some people was that there continued to be stories of downsizing," says Joseph Stiglitz, chairman of the Council of Economic Advisers.



1990s Job Creation And Elimination

(Numbers Of Jobs In Thousands)

Size Of Firm (Number Of Employees)	By Firms In Business Throughout 1991-95	By Firms Started Or Closed During 1991-95	Overall Net Change
1-4	1,003	2,840	3,843
5-19	503	2,943	3,446
20-99	155	2,391	2,546
100-499	26	985	1,011
500-4,999	17	176	193
5,000 Or More	-469	-2,906	-3,375
Totals	**1,235**	**6,429**	**7,664**

SOURCE: COGNETICS INC.

It has been a different type of recovery. Economists say that three major forces driving the restructuring of businesses and strengthening the U.S. economy play the key roles: technological advances, foreign competition, and the deregulation of U.S. markets such as transportation (airlines and trucking) and telecommunications.

A Historic Shift?

Of the three forces, technology is the biggest factor and is the most powerful of the engines that are reordering the economy. Some economists say this

reordering involves a historic shift from the industrial age to the information age, or knowledge era, much like the shift a century ago from an agrarian to an industrial economy.

It's what Alan Greenspan, chairman of the Federal Reserve Board, calls "one of those rare, perhaps once-in-a-century events—a structural technological advance." In a speech to economists meeting on Massachusetts' Cape Cod in June, Greenspan said: "The advent of the transistor and the integrated circuit and, as a consequence, the emergence of modern computer, telecommunication, and satellite technologies have fundamentally changed the structure of the American economy."

Computers have also dramatically altered how the workplace is structured and how it functions. They have allowed companies to get more work done faster and more efficiently with fewer people—a phenomenon that continues as more-sophisticated software is developed.

Earlier this year, in a report titled "American Workers and Economic Change," the CED noted that "new computer-based technologies break the strong link between standardization and efficiency that typified the old economy. The old machines were inflexible and had to be reconfigured or even scrapped with each new job.

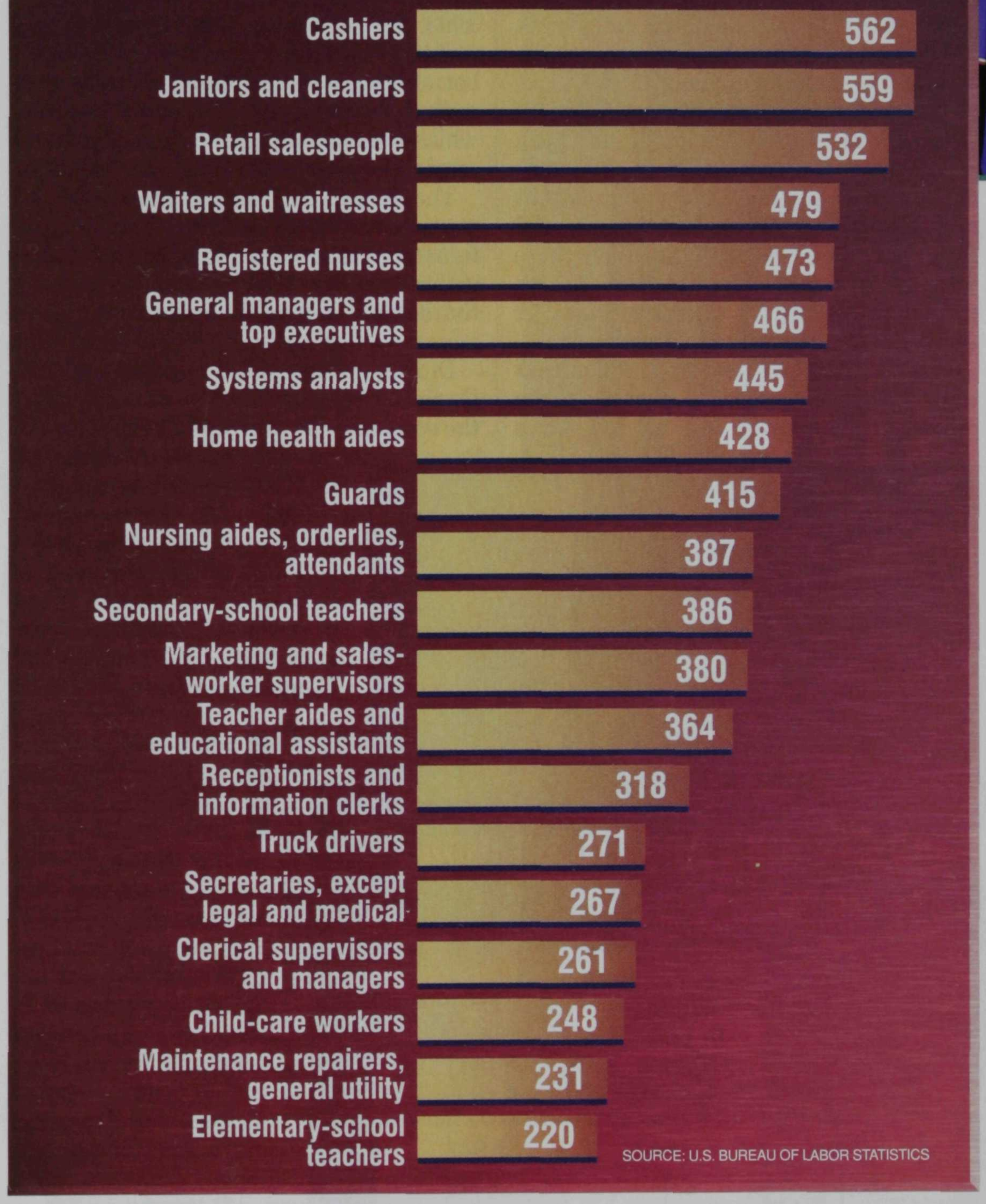
"Today, with a few keystrokes, computer-augmented machines can set up new production runs, tailor services for individual customers, or provide user-friendly self-service. They can integrate networks of individuals, work teams, and organizations and monitor outcomes to ensure consistent quality."

The Shifting Job Market...

Job Categories With The Largest Projected Increases In Employment, 1994-2005

(In Thousands)





SOURCE: U.S. BUREAU OF LABOR STATISTICS

Stiffer Competition Abroad

International trade, meanwhile, has been growing rapidly as trade barriers have fallen and foreign economies have increasingly demanded the goods and services of U.S. businesses, many of which face saturated markets at home. U.S. companies now face stiffer competition, however, not only from longtime trading rivals such as Germany and Japan but also from nations with newly emerging economies in Latin America and along the Pacific Rim.

Implementation of the new North American Free Trade Agreement, beginning in January 1994, and the overhauled General Agreement on Tariffs and Trade, starting in July 1995, helped expand U.S. exports. U.S. companies were pushed to keep the costs of their products low and the quality high to compete effectively with these newer or stronger trading players not only in traditional markets but in newly affluent nations.

The Push For Freedom

Deregulation, the third major force that economists see affecting the economy, dates to the late 1970s and early 1980s. A push domestically for deregulation of prices, markets, and entry rules freed a number of industries from federal control.

Competition intensified in transportation—particularly in rail and trucking. Energy prices were deregulated to a greater degree, and the marketplace in banking and financial services has changed dramatically, so that banks, brokerages, and insurance companies compete more directly, often offering many

of the same financial products. Telecommunications is also undergoing rapid deregulation and restructuring.

Stockholder Pressures

As computer technology, globalization of markets, and business deregulation worked their influence on the U.S. economy, companies faced stiffer competition and greater pressure to perform for stockholders. They cut costs, dropped product lines, and downsized. And as pressure from these forces intensified, fewer and fewer workers were immune from their impact.

Assessing the impact of downsizing is more complicated, however, than merely counting the number of laid-off workers, according to the CED report:

- One company's loss often is another's gain. When some firms spin off functions previously done in-house, such as accounting and payroll, in the name of downsizing, these functions typically are shifted to the service sector and to new or existing supplier firms. These firms then provide "outsourcing" services to the downsizing company.
- Job-loss totals don't always distinguish between firings and voluntary separations or buyouts.
- The news media don't usually note that while some companies are reducing



employment in some areas, they are adding jobs in other areas as they respond to new technological capabilities or new marketplace demands.

"There's a tremendous amount of job reallocation that occurs within narrowly defined groups," says John Haltiwanger, a professor of economics at the University of Maryland at College Park. "The process of growth and change in the American economy is an extremely noisy one."

The White-Collar Factor

The strong forces reshaping the economy today are affecting companies and workers in ways that differ from the effects of earlier economic restructurings.

In the 1980s, for example, when the steel and automobile industries underwent downsizing and restructuring, most of those who lost their jobs were blue-collar, assembly-line workers. This time, the less-educated, less-skilled workers are still being hit hard, but so are white-collar managers, technicians, and professionals who are typically more educated, more savvy, and more articulate, especially in relating their stories to the news media.

White-collar workers are finally "feeling a tiny tinge of the insecurity that the blue-collar workers have always felt," says Claudia Goldin, a professor of economics at Harvard University, in Cambridge, Mass. This was bound to happen, she says, because during the 20th century, blue-collar jobs have increasingly given way to white-collar jobs.

Figures from the Council of Economic Advisers show that in the 1981-82 period, among workers with three or more years of experience in a job, 7.3 percent of blue-collar workers and 2.6 percent of white-collar workers lost their jobs.

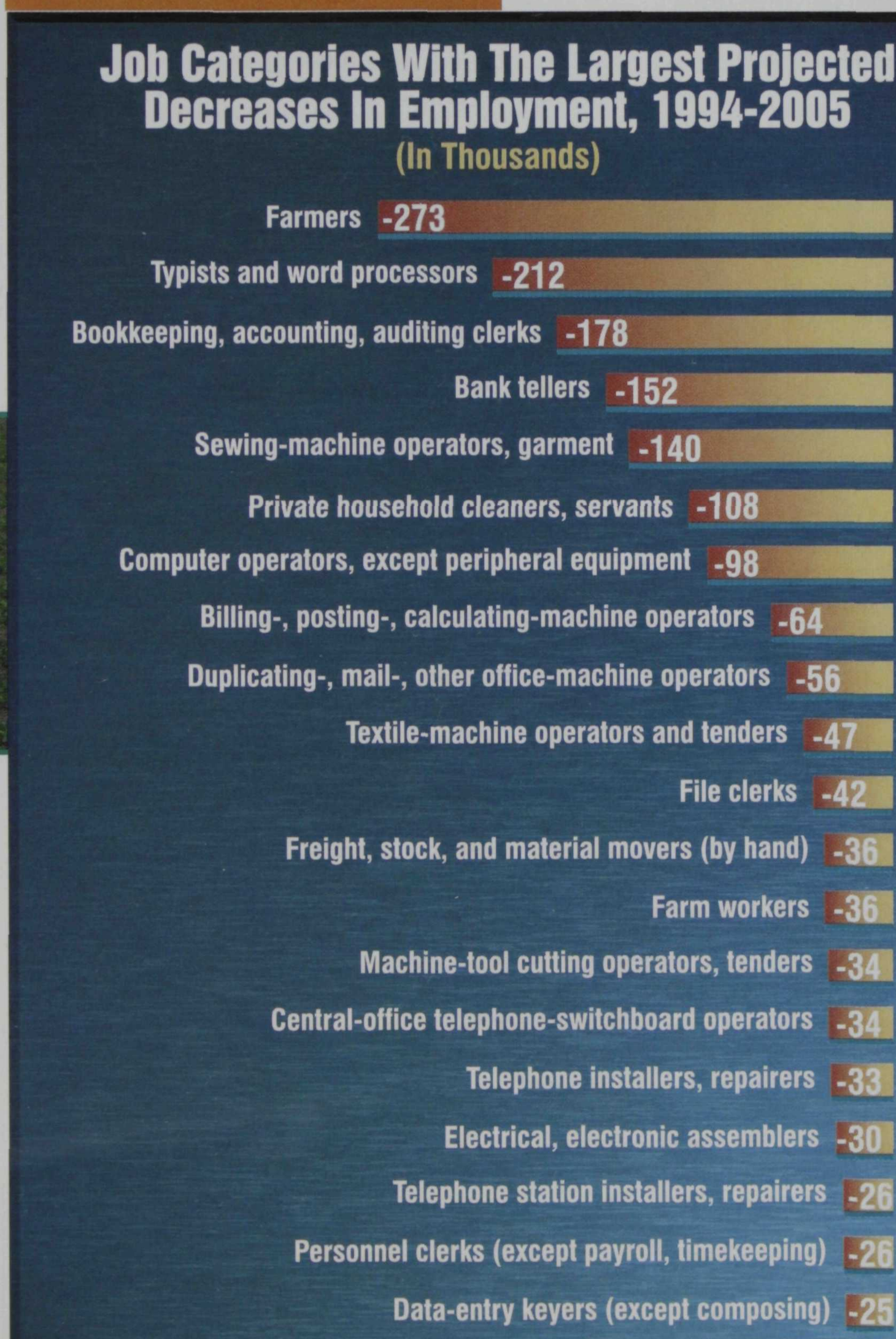
By contrast, in 1991-92, among workers with that level of experience, blue-collar employees who lost their jobs dropped to 5.2 percent, while white-collar workers forced to look for new employment rose to 3.6 percent.

The council's Stiglitz says these educated, white-collar workers represented groups that had been "relatively

...Through 2005

Job Categories With The Largest Projected Decreases In Employment, 1994-2005

(In Thousands)



SOURCE: U.S. BUREAU OF LABOR STATISTICS

immune" to downsizing. But technology is now helping with management chores, reducing the need for many white-collar workers.

In addition, more workers are being authorized to make decisions on products and services, reducing the need for multiple layers of management.

Often, though, the poignant news-media accounts of the social, psychological, and economic impacts of job losses and job changes fail to explain where and how a corporate decision to lay off workers fits into the bigger picture of an economy undergoing radical evolutionary change.

Frequently, companies are simply portrayed as callous villains when in fact layoffs and other major decisions by businesses are more often reactions to fast-paced economic change.

Where are all the new jobs being created? The combined August report from the nation's 12 regional Federal Reserve Banks, "Current Economic Conditions," indicates widespread job availability throughout the country. "A number of districts report tight labor markets, especially for entry-level workers. ... Many districts report continued expansion in the manufacturing

Rising And Falling With The Economic Tides

If you don't believe the American marketplace is dynamic, consider what has happened since the early 1970s.

A look at the rosters of the Fortune 500—the 500 publicly owned companies listed by *Fortune* magazine as having the greatest revenues—for 1970 and 1995 helps to illustrate how susceptible companies are to market forces: how the smallest can become the biggest and how even the brightest stars can fade.



Some of the nation's biggest and most celebrated firms today were small 25 years ago or hadn't been born. And some of the best-known or most important companies of that period have fallen victim to increased global competitiveness, to technological advances, or to changing consumer preferences.

One of the fastest-rising stars over the past quarter-century, Wal-Mart, was a small Arkansas venture in 1971, when it had just gone public with only 1,500 employees and a handful of stores in five states. Since then, the mammoth retailer, which offers about anything a customer might want, has climbed to No. 4 on the list of top revenue producers. Today it employs 660,000 and operates stores in every state and in five foreign countries, and its sales are now more than 2,000 times what they were 25 years ago.

In 1970, Nike was probably recognized more as the name of a U.S. guided missile or the winged goddess of victory in Greek mythology rather than as a business with a spectacular future. Back then, Nike was a six-year-old, $300,000 company in Beaverton, Ore. It employed 20, and its products were sold at a few retail outlets.

Today Nike, Inc., is the world's biggest shoe company and is No. 277 on the list of top companies. Last year it had $4.8 billion in revenues and 14,200 employees.

Atlanta-based Home Depot Inc., No. 66 on the list today, didn't even exist 25 years ago.

Started in 1978 by two men who had been fired from a California home-improvement company, Home Depot has revolutionized the hardware and lumberyard businesses. In 1979, it had only three stores. Last year, its reach had broadened to 454 stores in 34 states and Canada; employment reached 80,000, and sales were $15.5 billion.

Not only have the companies on *Fortune*'s list changed, but so has the way the list is compiled. When the magazine began publishing the list 41 years ago, the roster consisted only of the largest publicly held industrial companies. Beginning in 1983, a separate list of the 500 largest service-oriented companies was compiled. In the latest iteration, published last year, the lists were combined.

Over the years, companies have come and gone from the list. International Harvester, for example, was a leading maker of farm equipment and was No. 32 on the list in 1970. Founded in 1902 by Cyrus McCormick, who invented the reaper, International Harvester was noted for its red Farmall tractors and other machines that were staples of U.S. agriculture for years.

But IH, based in Chicago, fell on hard times during the recession of the early 1980s, which was particularly hard on the farm economy. Today, its renamed successor company, Navistar International, in Chicago, makes trucks, not farm equipment.

But the evolution didn't stop there. Before re-emerging as Navistar, International Harvester sold off the agriculture equipment business to the J.I. Case subsidiary of Tenneco Inc. of Houston in 1985 and sold its construction-equipment line to Dresser Industries Inc. of Dallas in 1982.

In 1994, Case Corp., in Racine, Wis., became an independent company, and Tenneco no longer owns any part of it. Now, the Case Corp., which has long been a leading manufacturer of construction equipment, is the No. 2 manufacturer of farm equipment—with a red Case IH tractor as a core product. Case is No. 261 on the list of top companies.

The Singer Co., founded in 1851 and whose name for many years was synonymous with sewing machines, is another illustration of how much the business landscape has changed in the past 25 years.



Singer, then based in New York City, was No. 43 on the list of top companies in 1970, with $2.1 billion in sales and 2,000 stores coast to coast, many in small towns. It had become a big conglomerate by this time, with interests in everything from furniture to aerospace.

During the 1970s much of the sewing business was sold off, and eventually that part of the business, along with the Singer name, came under the control of Semitech, a Hong Kong-based holding company that today owns 51 percent of Singer. The rest of the stock is publicly traded.

Headquartered in Hong Kong, Singer today sells not only sewing machines and equipment—it supplies Wal-Mart and Kmart, among others—but also a wide

A report from the nation's 12 regional Federal Reserve Banks indicates widespread job availability throughout the country.

sector, and a number have seen a pickup in hiring."

The tightest markets—where labor is in shortest supply and thus workers' opportunities are best—appear to be in the Midwest, but job openings are plentiful in other regions, too. "Shortages in professional and technical occupations persisted," reported the Chicago Fed, which added that workers were so hard to find in construction that employers were "enhancing benefits packages."

The St. Louis Fed reported continued shortages of "skilled and entry-level workers," and the Minneapolis Fed said "employment growth has occurred across most sectors." The San Francisco Fed reported "continued strong job growth" in the Western states.

An earlier Federal Reserve survey cited cases in which employers were willing to pay premium wages for qualified workers. In one instance, an employer offered a drawing for a Las Vegas vacation for

variety of consumer durables worldwide. Only 53 percent of its sales are sewing-related, and the percentage is much lower for sales in developing countries.

Another big name on the revenue-producer list a quarter-century ago was Firestone, then one of the nation's leading tire makers. It's still a leader, but it's now part of the Bridgestone/Firestone Corp., headquartered in Nashville, Tenn. Bridgestone/Firestone in turn is owned by the Bridgestone Corp., of Japan.

The old Firestone Tire and Rubber Co., of Akron, Ohio, was bought by Bridgestone in 1988. Many Americans today drive cars with Firestone tires, and Firestone Tire and Service Centers still serve customers throughout the country.

Mergers, takeovers, and acquisitions have had a broad impact on the corporate landscape. For example, Kraftco, No. 28 on the list in 1970, is now part of Philip Morris, currently No. 10 on the list. RJR Nabisco, Inc., formed in the 1985 acquisition of the National Biscuit Co. by R.J. Reynolds, is No. 64 on the list.

ConAgra, Inc., was a small food conglomerate 25 years ago, but acquisitions and expansions since then—involving companies like Armour and Beatrice—made it No. 26 on the list in 1995. It is the company behind many familiar names in supermarkets, such as Banquet, Butterball, Healthy Choice, Hebrew National, Hunt's, Peter Pan, and Wesson.

Meanwhile, some big players 25 years ago have disappeared from the list. Although transportation companies weren't included back then, Pan American World Airways and Eastern Air Lines, both of which went out of business in 1991, would have been in the top 150. Recently, however, there have been moves by investors seeking to put the Pan Am name back in the skies.

With the many changes in the corporate landscape has come a transformation in the products integral in the everyday lives of consumers. In some instances, the product changes have driven—or have been major factors in—the changes in companies. Twenty-five years ago, some common products of today hadn't even been envisioned; they would come with the technological revolution.

Take the videocassette recorder, which made its way into a majority of American homes in rapid fashion. Technology 25 years ago had not advanced far enough to provide for consumer-priced VCRs and mass production of videotapes. Now, nearly nine out of 10 American homes have at least one VCR, and video rental stores abound.

The rise of some of today's big computer and software firms, such as Compaq Computer Corp., Dell Computer Corp., and Microsoft Corp., had to await further developments in technology, including the personal computer.

Twenty-five years ago, there was no Microsoft, and its chairman, Bill Gates, now the richest man in America, was a young boy. Today, Microsoft is one of the world's fastest-evolving companies.

AT&T, another company being driven by technological change, wasn't on the list 25 years ago—because the companies included were strictly industrial. If it had been, though, it would have been in the top 10. Today, it's No. 5. And that's after being broken up under a federal court order in the 1980s and spinning off the seven regional telephone companies, all of which are now in the top 150 and five of which are in the top 100.

This year, AT&T is breaking itself up again, this time on its own, spinning off NCR, the computer company once known as National Cash Register Co., and Lucent Technologies, which will become an equipment and research company, inheriting the AT&T unit once known as Western Electric and most of Bell Labs, the research facility.

To provide an idea of the speed with which even the largest companies are rising and falling, the Conference Board, a business-research organization based in New York City, notes that only 390 of the companies on the current top-500 list were on it five years ago.

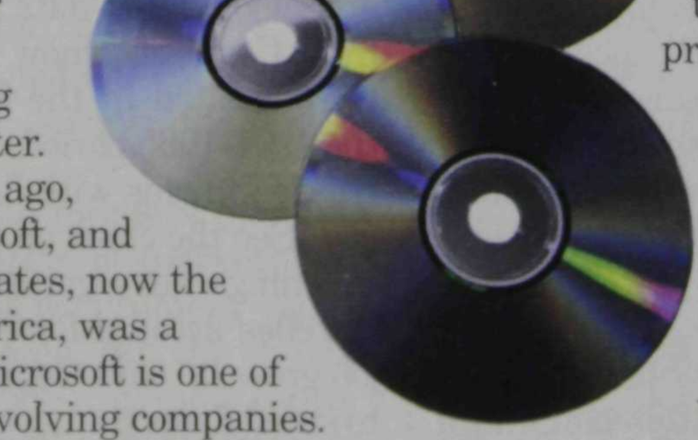
Bruce Kirchhoff, a professor of economics at the New Jersey Institute of Technology, in Newark, says, "The 1980s characterized the biggest period of mergers and acquisitions that we've ever had."

In an era of computer-aided instant communication, weekend merger deals, and megamarketing, firms can rise or fall in the marketplace faster than ever.

"In the '80s and '90s, turnover and turbulence on the Fortune 500 list have gone up exponentially," says David Birch, president of Cognetics Inc., an economic research firm in Cambridge, Mass. "This is one of those moments in history when one whole crop of companies can replace another whole crop."

Whether people's lives will be affected to a greater degree by computers than they were by electricity a century ago remains to be seen, says Claudia Goldin, an economics historian and professor of economics at Harvard University. "Some periods see great revolutionary change," she notes. "This may be one of them, and only time will tell."



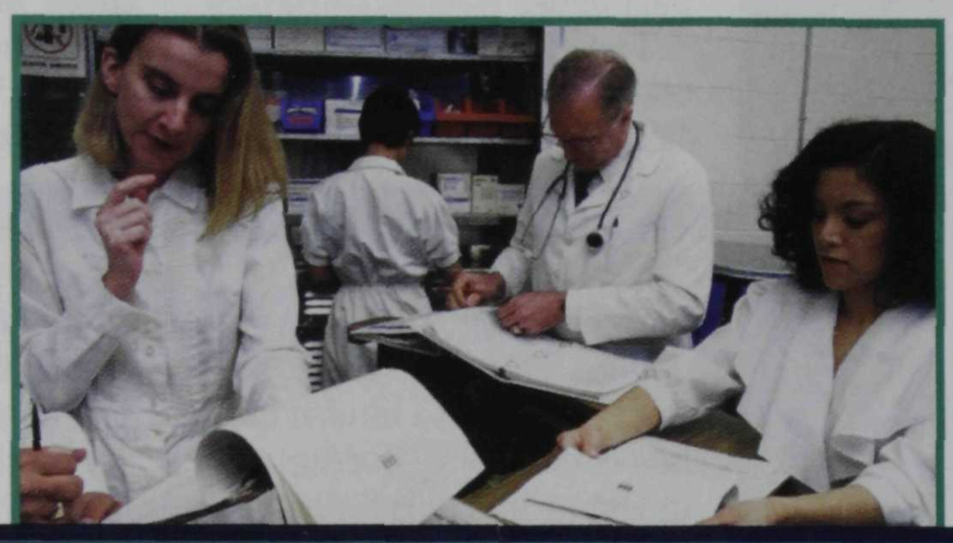


employees bringing in good hires. Another employer cited in the survey had given up advertising for qualified workers because no one answered the ads. (See "Help Wanted Desperately," April.)

Pockets Of Opportunity

Meanwhile, the Challenger firm reported earlier this year that the 10 states with the lowest unemployment rates, most of them in the Midwest, had 221,000 jobs available, most of them high-paying. They ranged from accountants, sales representatives, and nurses to doctors, professors, and financial executives.

better-paying new jobs in the next decade will be those requiring postsecondary education, technical skills, or special training. Jobs requiring little skill or those related to outdated technology are on the decline.



Job Growth, 1983-2005, By Industry

(Figures Are Percentages)

	Growth, 1983-94	Projected Growth, 1994-2005
Services, including public schools and public hospitals	46.1	32.8
Retail trade	31.1	13.0
Construction	27.0	9.8
Transportation and public utilities	21.1	7.1
State/local government, excluding public schools and public hospitals	26.1	6.8
Wholesale trade	16.2	6.8
Finance, insurance, real estate	26.8	6.3
Agriculture/forestry/fishing	13.0	6.3
Manufacturing	- 0.7	-7.2
Federal government	3.4	-8.2
Mining	-36.9	-26.9

SOURCE: U.S. BUREAU OF LABOR STATISTICS

And in a summer survey, the firm said that "job wars" appear to be breaking out even though the layoff rate is above the 1993 level. "Where are all the people who were laid off over the last several years?" Challenger wondered. "This is a confusing time because layoffs continue, yet more and more companies are unable to find qualified people." The firm noted that in some areas, such as Wichita, Kan., small manufacturers are losing skilled workers to large companies, which often can afford to pay more and offer better benefits.

It also noted, in an August survey, that fired executives and managers are finding jobs with the same or better salaries in less time: an average of 2.8 months so far this year, down from 3.2 to 3.3 months in recent years.

In its projections for the year 2005, the Bureau of Labor Statistics notes that the occupations with the largest number of

The Creative Force

Small business remains the principal creator of jobs. New data released this summer from Cognetics show that 7.7 million jobs were created in the U.S. economy during the 1991-1995 period, with the strongest increase in firms with fewer than 20 employees. (See the chart on Page 19.)

"Things have gotten better, but still the 'gazelles' account for 70 to 80 percent of the job growth," says Cognetics' Birch, referring to small firms that eventually expand to become medium-sized or possibly large companies. "Most small businesses create a few jobs," says Birch. "A few small businesses create a whole lot of jobs."

Others agree. "The companies that really create jobs are the small businesses that grow into medium-sized businesses," says Weidenbaum, who was chairman of the Council of Economic Advisers during the Reagan administration.

The U.S. Small Business Administration says that small businesses, those with under 500 employees, account for 54 percent of all the jobs in the United States.

Although small firms traditionally have offered less job security and have come and gone at a faster pace than large companies, Birch says his research shows that job security now is no greater at large companies than at smaller ones. He says the loss rates are "almost the same for large and small companies."

But the Council of Economic Advisers' Stiglitz expresses caution: "Yes, small business creates a lot of jobs, but there's also a lot of turnover. Many small businesses get created, but many don't make it."

Joseph Schumpeter, a noted economist who taught at Harvard in the 1930s and 1940s, probably wouldn't be bothered by it all—the restructuring, the simultaneous elimination and creation of jobs known as job churn, and the arrivals and departures of companies. To him, such changes signify a robust economy. His "creative destruction" theory held that old companies are pushed out by new, innovative companies that come into the marketplace.

"Most firms are founded with an idea and for a definite purpose," Schumpeter once wrote. "The life goes out of them when that idea or purpose has been fulfilled or has become obsolete or even if, without having become obsolete, it has ceased to be new. That is the fundamental reason why firms do not exist forever."

Indeed, in an important new book, *Job Creation and Destruction* (MIT Press, $30), three economists argue that widespread job creation and elimination is normal for a free-market economy like that of the United States.

"This really is a pervasive part of the economy," said the University of Maryland's Haltiwanger, a co-author of the book, in an interview. "You can see large-scale job creation and job destruction year in and year out." Haltiwanger wrote the book with Steven Davis, a professor of business economics at the University of Chicago, and Scott Schuh, an economist with the Federal Reserve Board.

Haltiwanger said that generally the number of jobs created roughly equals the number eliminated, although if the economic climate is right, new jobs can outnumber jobs lost. "Change has been a part of the U.S. economy as far back as we can measure it, and at rates much like the ones today," he said.

In contrast, the overall unemployment

rate in Europe is 11 percent, double that of the United States. Job creation is all but nil. Double-digit unemployment plagues Italy and France, and the rate exceeds 20 percent in Spain.

The reasons? High minimum wages, tough regulations, and lack of flexibility by employers to adapt to new economic conditions, according to experts.

Almost certainly, job growth will continue. But so may downsizing. The number of job-reduction announcements in July was nearly 80 percent higher than July 1995 and was the largest number since January 1996, the Challenger firm reported. But according to the Bureau of Labor Statistics, July also saw a net gain of 228,000 jobs over the previous month, with August registering an additional 250,000 jobs. Meanwhile, many of the downsizing companies faced shortages of qualified people for some of those new jobs.

"It means Schumpeter was right, that there is creative destruction that goes on in the economy," says Richard E. Cavanagh, president of the Conference Board, a New York City-based business-research group. "We have become fixated on the destruction instead of the creative part."

Weidenbaum believes downsizing is running out of steam, since many firms didn't foresee the consequences of the cutbacks when they started letting go what many of them tout as their "most important asset," their employees. "You ought to treat your most important asset more carefully. If you're going to cut 10 percent, you have to be careful [of the adverse impact on] the other 90 percent," he says.

Moreover, the American Management Association, a New York City-based management-training organization, in a study for the 12 months ended in June 1995, concluded that "job elimination is no longer synonymous with downsizing." It said that although the number of firms reporting job elimination over the previous three years had increased, the number reporting net decreases had declined because many companies were creating some positions at the same time they were eliminating others.

Cavanagh says he believes there will be less emphasis on downsizing in the next few years and more emphasis on "how to get top-line growth" in revenues.

While there are some signs that downsizing may be on the wane, it clearly isn't over. This spring, for example, ConAgra, Inc., the giant food company, announced layoffs of 6,500, and Nabisco, a unit of RJR Nabisco, Inc., announced it was eliminating 4,200 jobs and shrinking its product line. Digital Equipment Corp., which shed half of its employees between 1990 and 1995, announced in early July that it was laying off 7,000 more.

Layoffs in the federal government are expected to add to the overall job churn. Federal civilian employment in the executive branch is already about 250,000 jobs below peak levels of 2.2 million in the late 1980s and early 1990s.

Continued cuts in federal spending are expected to further shrink the federal work force.

The full effects of computers and technology, the globalization of marketplaces, and the loosening of government regulations have yet to be seen. But the churn is likely to continue, much as it did a century ago when the nation moved from the agrarian age to the industrial age. Now, it's the information age.

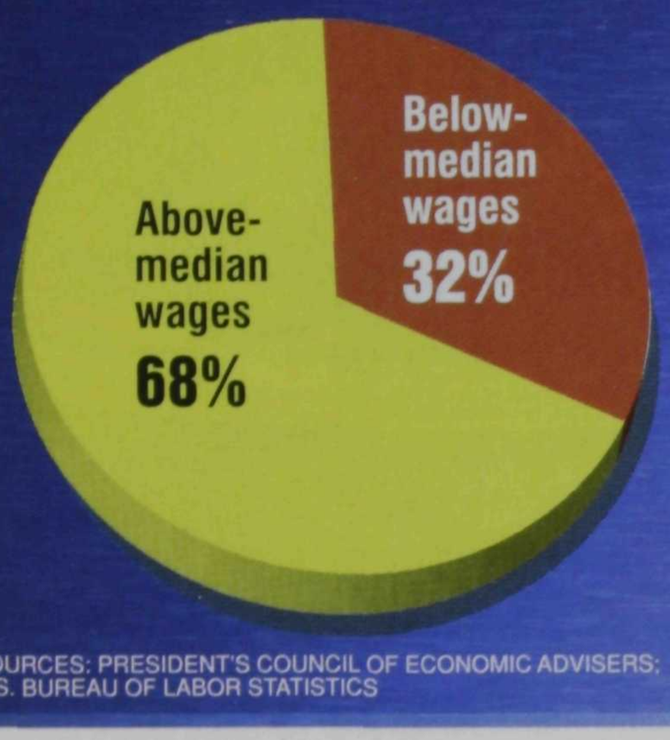
Notes the Dallas Federal Reserve Bank's Cox: "This is a very different period, a very special period." NB



To order a reprint of this story, see Page 66. For a fax copy, see Page 33.

Good Pay For New Jobs

Two-thirds of the net full-time jobs created from February 1994 to February 1996 had wages above the median.



SOURCES: PRESIDENT'S COUNCIL OF ECONOMIC ADVISERS; U.S. BUREAU OF LABOR STATISTICS

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TAXES

Cold Comfort In Tax Changes

The new legislation designed to soften the blow of a higher minimum wage on small firms may help somewhat, but it's not getting rave reviews.

By James Worsham

Richard M. Aarons isn't impressed by newly enacted federal tax changes for small business, most of which were aimed at offsetting the costs of a higher federal minimum wage.

The new tax legislation "won't hurt us, and it won't be detrimental to what we're doing, but it's not a windfall," says Aarons, whose family has two upscale toy stores, called Barston's Child's Play, in the Washington-Baltimore area.

Aarons—who is controller of the 20-employee company, which he runs with his son and daughter—is most interested in one aspect of the tax changes, a simplified pension plan tailored to small businesses. But he's going to remain skeptical about this and other aspects of the new laws containing the changes until he's had an opportunity to examine the details.

He does acknowledge, however, that some of the new tax provisions might help his and other small firms, a view shared by accountants and others knowledgeable about tax matters.

In addition to the new pension plan, changes contained in recently enacted laws include a gradual rise in the value of tax-deductible expensing provisions for business equipment and machinery, a gradual increase in the deduction for the cost of medical insurance for the self-employed, and long-awaited revision of regulations for S corporations.

"This is a pretty modest package of stuff," says C. Clint Stretch, director of tax legislative affairs in the Washington office of Deloitte & Touche, an accounting firm. But Sam Starr, a partner in the national tax office of Coopers & Lybrand, another accounting firm, adds: "There are definitely some good things in the package."

Most of the tax-law changes for small businesses were contained in the new law that increases the minimum wage from $4.25 an hour to $4.75 on Oct. 1, then to $5.15 on Sept. 1, 1997; the legislation was signed by President Clinton on Aug. 20. But other changes were included in a health-care-reform bill, signed Aug. 21, and the so-called taxpayer bill of rights, signed July 30.

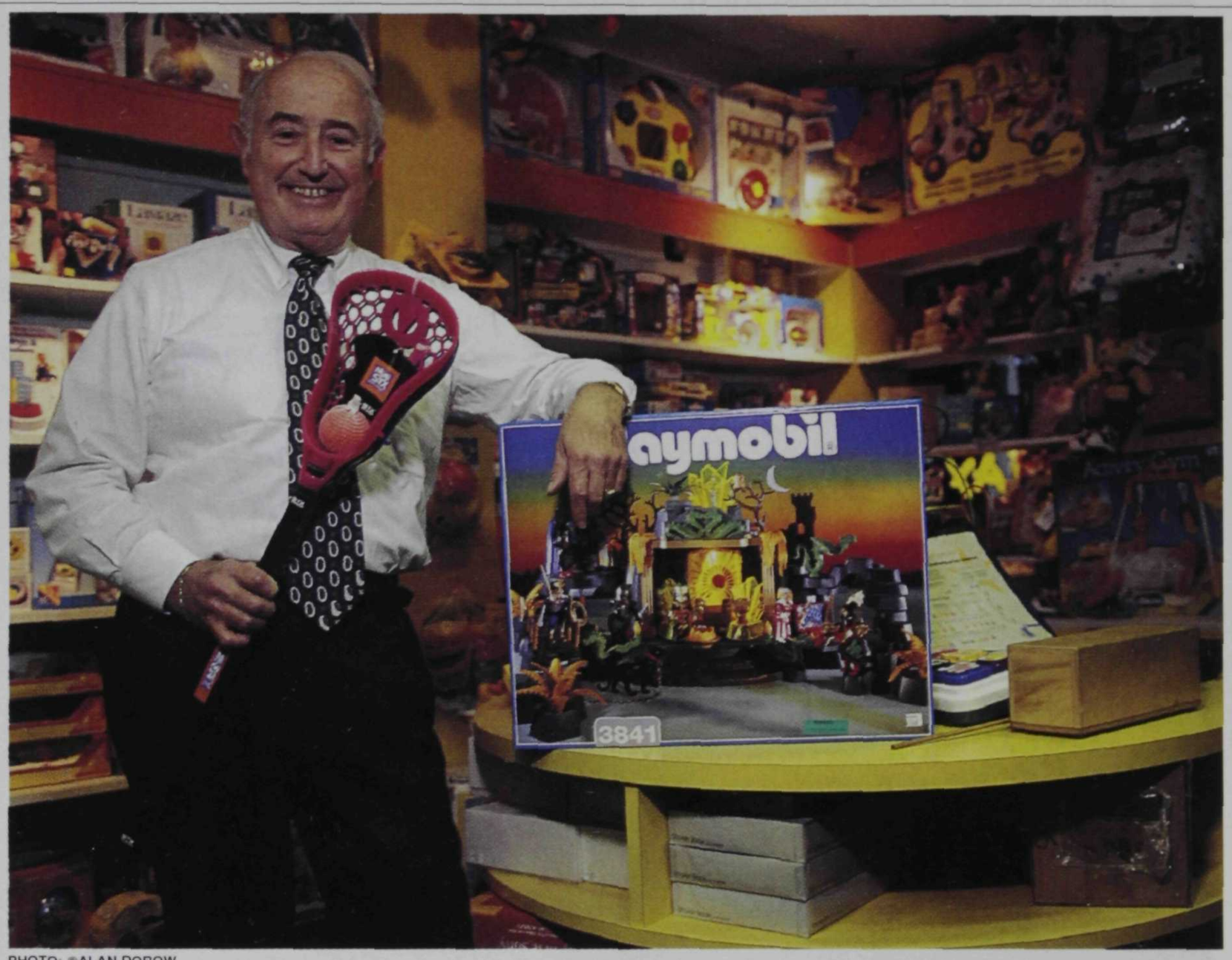


PHOTO: ©ALAN DOROW

Until the latest tax-law changes *play out, toy retailer Richard M. Aarons will remain skeptical about their supposed benefits for small firms.*

When it became clear last spring that Congress would pass the minimum-wage legislation, the House Republican leadership, which had opposed the wage increase, decided to add a variety of tax breaks intended to help cushion the economic impact of higher wages on small companies.

But Sen. Christopher S. "Kit" Bond, R-Mo., chairman of the Senate Small Business Committee, says the tax provisions don't provide much relief from the major tax-related problems facing small businesses, including the need for estate-tax relief, clarification of tax rules on independent contractors, full deductibility of medical coverage, and easing of the rules to qualify for home-office deductions.

Referring to the minimum-wage legislation and its accompanying tax changes, Bond says, "If you look at issues that really matter to small business, this bill just doesn't get the job done."

Nonetheless, there are provisions in the three new laws that will benefit many small businesses to some extent and in different ways. Here are the major ones:

Deductible Expenses

The maximum amount of spending for equipment that can be deducted in the year of purchase (with the remainder spread over a number of subsequent years) will be increased in stages beginning next year from the current $17,500, which was set in 1993. It will go to $18,000 for tax years beginning in 1997, $18,500 for 1998, $19,000 for 1999, $20,000 for 2000, $24,000 for 2001, $24,000 for 2002, and $25,000 for 2003 and thereafter.

"For the very small business, this [the increases] can be quite helpful," says Stretch. For a small firm, the increases could help cover a manufacturing or retail firm's costs of buying or upgrading a computer system and purchasing related software. For larger companies, however, the maximum deduction could be ex-

Hats Off

"Roadway puts a lid on this problem."



The Bollman Hat Company was under the gun. A large retailer had insisted that Bollman provide ***electronic*** **Advance Shipment Notices**—or pay stiff fines. With the 'drop-dead' date only a few weeks away, Bollman Hat ***risked losing a valuable account.***



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Even Aarons' family operation will go through it quickly. "In the next 30 days, we're going to spend $20,000 on a new computer system," a sum that Aarons notes will exceed the maximum first-year deductions through 1999.

Bond and other small-business allies in Congress had sought to have the expensing limitation increased immediately to $50,000.

Health-Care Deduction

Currently, individuals who are self-employed can deduct only 30 percent of the costs of their medical insurance. C corporations, on the other hand, can deduct 100 percent of the costs of buying coverage for their employees.

Under the health-insurance-reform legislation, the deduction for the self-employed will increase gradually—to 40 percent for tax years beginning in 1997, 45 percent from 1998 through 2002, 50 percent in 2003, 60 percent in 2004, 70 percent in 2005, and 80 percent in 2006 and beyond.

The U.S. Chamber of Commerce and other small-business interests have long advocated raising the deduction to 100 percent immediately.

S Corporations

Regulations will be loosened on S corporations, many of which are small and family-owned businesses. S corporations pass all income and losses to shareholders, or owners.

The minimum-wage legislation's tax provisions "will liberalize many restrictions on S corporations," says Starr. Adds Nick Giordano, director of tax legislative services in the Washington office of the Ernst & Young accounting firm: "The bill moves in the direction of putting S corporations almost on a par with C corporations for tax purposes."

Following are the major changes for S corporations:

■ The maximum number of shareholders is increased to 75 from 35, beginning in tax years after 1996. Although only 0.5 percent of S corporations have more than 30 shareholders, Starr says, many multiple-generation family businesses would benefit from this provision.

■ An S corporation can own up to 100 percent of a C corporation, a change from the current maximum of 79 percent. Also, S corporations can have S-corporation subsidiaries in which the parent S corporation owns 100 percent of the shares. This change takes effect in tax years beginning after 1996.

■ Charities and qualified retirement plans can be S corporations' shareholders, beginning in tax years after 1997.

Pensions

A new pension plan called SIMPLE—Savings Incentive Match Plan for Employees—will be available to businesses with fewer than 100 employees. The SIMPLE plans may take the form of an individual retirement account (IRA) or a 401(k) savings plan.

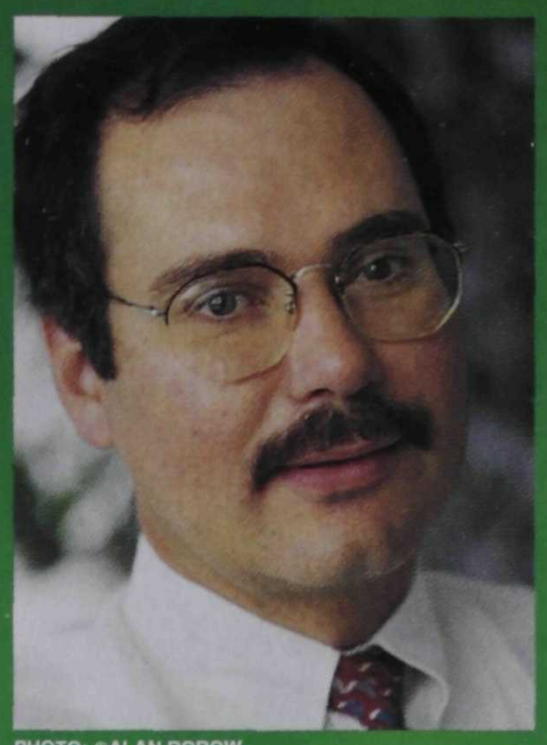


PHOTO: ©ALAN DOROW

The minimum-wage legislation's tax provisions "will liberalize many restrictions on S corporations."

—Sam Starr, Coopers & Lybrand

Either way, the plan provides a less costly, less complex method of meeting Congress' mandate for nondiscrimination testing, which is designed to ensure that employer-sponsored pension plans do not unduly benefit highly paid employees.

Under the SIMPLE plan, employers may skip nondiscrimination testing by meeting either of two "safe harbor" provisions.

The first such provision requires employers to match dollar-for-dollar an employee's contributions to a SIMPLE IRA or 401(k) plan up to 3 percent of salary. The employee's contribution is capped at $6,000 annually and indexed for inflation. The second safe-harbor provision requires employers to contribute 2 percent of salary for every employee regardless of whether the employee contributes.

SIMPLE plans give employees immediate ownership of all employer contributions; there is no waiting period, as there can be with other types of pension plans. SIMPLE accounts are effective beginning in 1997.

Employers can opt for other current pension plans or for the SIMPLE plan, which combines mandatory contribution levels with less regulation.

"Small employers must look at that trade-off and decide whether it's a good deal or not," says Paul Yakoboski, a research associate at the Employee Benefit Research Institute, in Washington, D.C. "There are plus and minus factors."

With their presumably lower administrative costs, SIMPLE plans may encourage some small firms to take a step they have avoided in the past. "Most small companies want to provide pensions for employees but can't or don't because they're expensive to administer," says Kirk Renaud, chief executive officer of Bio-Brite Inc., a Bethesda, Md., specialty-lighting manufacturer.

Nonetheless, Kenneth Wolfe, president of Kohlhepp, Wolfe & Associates, an accounting firm in Park Hills, Ky., says he wants to see the regulations on such plans so he can advise clients properly on the new arrangements. In the past, he notes, some companies have rushed into a program only to find out later they were out of compliance with regulations that hadn't been written at the outset.

The SIMPLE plans are not the only ones slated for relief from nondiscrimination testing. The new law gives all sponsors of 401(k) plans two new safe harbors to eliminate the need for annual testing.

The first of these provisions for 401(k) plans requires employers to match an employee's 401(k) contribution up to 3 percent of salary and also requires a 50 percent match for every dollar of salary reduction between 3 and 5 percent of compensation.

The second provision requires employers to make a blanket 401(k) contribution of 3 percent of salary for all eligible employees regardless of whether they contribute to the plan.

These safe-harbor provisions are effective for tax years beginning after 1998.

Of more immediate benefit is a redefinition of who is considered highly compensated, a change that will allow higher-paid employees to increase their contributions to 401(k) savings plans. This change takes effect for tax years after 1996.

Independent Contractors

The change that deals with this contentious issue stops far short of resolving the problems in classifying workers as independent contractors or employees—a distinction that has significant tax consequences for employers. It's the issue that topped the list of concerns among those who attended the 1995 White House Conference on Small Business.

To cut down on disputes between taxpayers and the IRS, the new law makes technical and procedural modifications in the earlier law that lays out guidelines for determining whether a person is an independent contractor or an employee.

What may be more important, however,

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Source: Mendelsohn Affluent Survey, 1995

Nation's Business
The Small Business Adviser

proof in a taxpayer-IRS dispute over classifications. "If a taxpayer can show it was reasonable to treat a person as an independent contractor, it will be up to the IRS to show they should have been treated as an employee," Giordano says.

The Taxpayer Bill Of Rights

Under this legislation, taxpayers will gain greater rights in disagreements with the IRS. The law creates an office of "taxpayer advocate" in the IRS to assist taxpayers with their problems in dealing with the IRS and to identify areas of ongoing problems. The advocate, who will replace the current IRS ombudsman, will be named by and will report to the IRS commissioner.

The new measure also increases the penalties that can be levied on the IRS—to as much as $1 million from the current $100,000—if, in a suit against the agency by an individual, an IRS employee is found to have recklessly or intentionally disregarded the law or agency rules when dealing with taxpayers.

Other Tax Changes

The recently enacted measures also include a number of other tax provisions important to business:

■ The research and experimentation tax credit, which expired June 30, 1995, was reinstated for the period July 1, 1996, through May 31, 1997. Bio-Brite's Renaud says that although the credit is in place for only 11 months, it can still be helpful to firms that need to do limited, short-term research.

■ The employer tax break for educational assistance, which expired at the end of 1994, was extended retroactively through May 31, 1997. It provides that the first $5,250 that an employer spends for an employee's undergraduate education in a year is deductible as a business expense and not taxable to the employee. The graduate-education exclusion was permitted except for courses starting after June 30, 1996.

■ The Work Opportunity Tax Credit will succeed the former Targeted Jobs Tax Credit for the period Oct. 1, 1996, through Sept. 30, 1997. Employers can claim a 35 percent credit on the first $6,000 of first-year wages paid to employees who qualify for the program. They include long-term welfare recipients and their families, high-risk youth in so-called empowerment zones and enterprise communities, certain veterans, the disabled, and food-stamp recipients.

■ For individuals and families, the minimum-wage law's tax-relief provisions offer a $5,000 credit to offset the costs of adopting children; the adoption provision expires Dec. 31, 2001. Also, nonworking spouses will be allowed to put as much as $2,000 a year into an IRA even if the spouse had no income; the current limit is $250 for a nonworking spouse. Both provisions take effect in tax years after 1996.

Another provision of the minimum-wage law delayed for six months, until July 1, 1997, a requirement that small businesses start paying their income taxes electronically. (See "Getting Wired For The IRS," Page 31.)

To be sure, there are no tax-break bonanzas among the recently enacted changes. Although they provide some relief for small businesses, the changes are modest by most standards. "There's nothing here that's going to motivate anybody to do anything other than make good business decisions," says accounting-firm president Wolfe, a member of the U.S. Chamber of Commerce's Small Business Council.

Small firms must decide if the less-regulated new pension plan would be "a good deal or not."
—Paul Yakoboski, Employee Benefit Research Institute

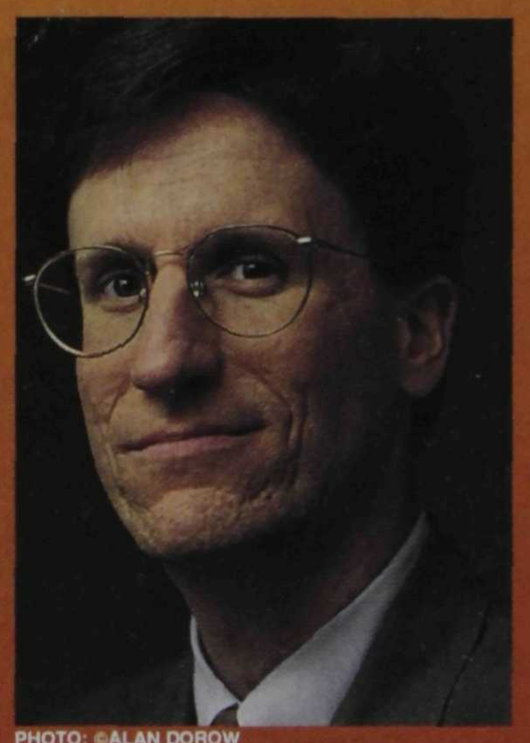


PHOTO: ©ALAN DOROW

Next year, Congress may take another look at some of the tax breaks, especially those that were extended for only a short time. In the meantime, small businesses will have to make the most of the tax changes available to offset the costs of the higher federal minimum wage, which, judging by the impact of previous minimum-wage increases, is expected to push up other salaries.

"I don't think it really makes a big difference," says toy-company controller Aarons. "The real impact is felt in hard cash by the ripple effect of increasing the minimum wage." NB

To order a reprint of this story, see Page 66. For a fax copy, see Page 33.

TAXES

Getting Wired For The IRS

Yours may be one of the small firms required to make federal tax payments electronically starting next year. Are you ready?

By Susan Hodges

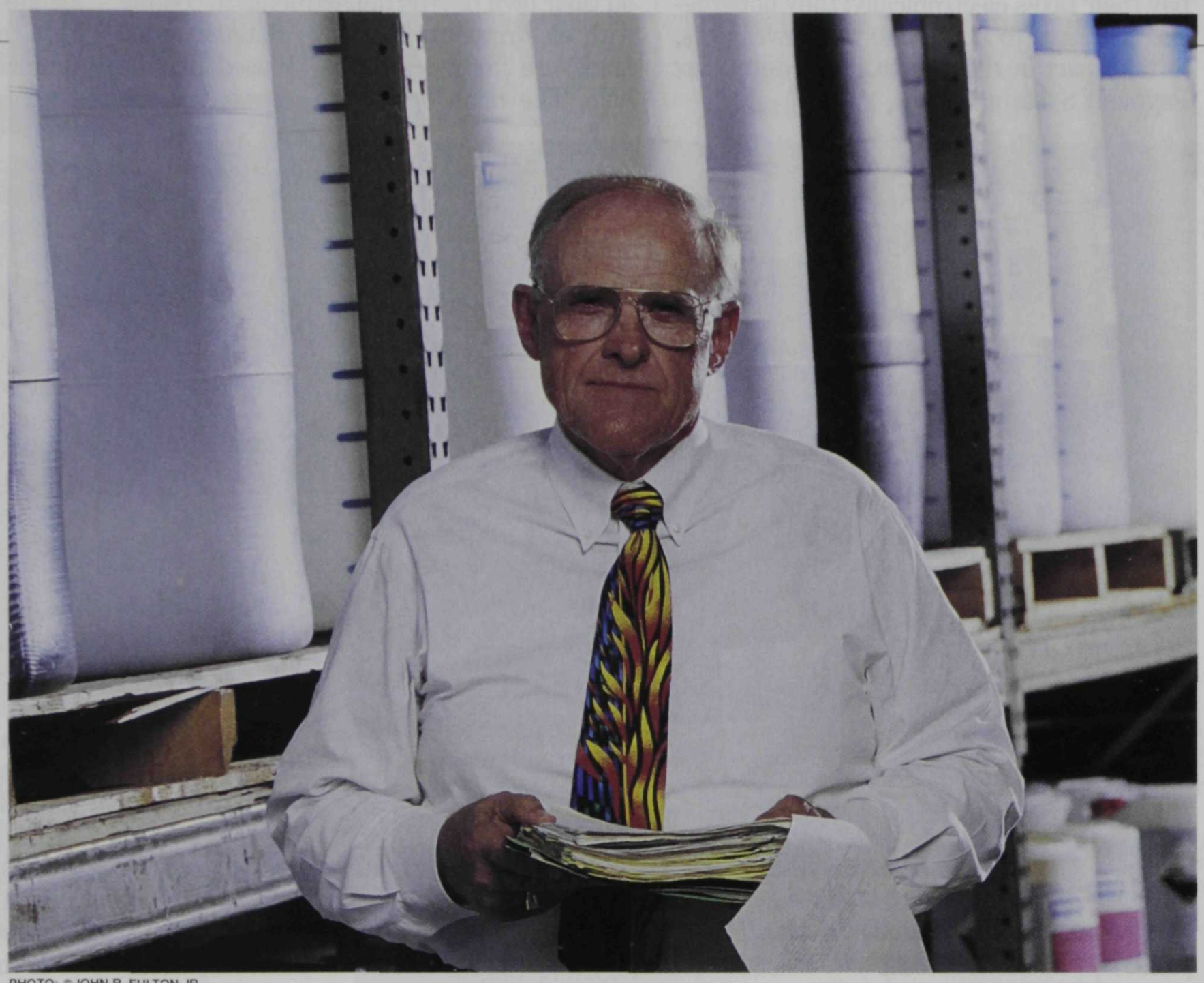


PHOTO: ©JOHN R. FULTON JR.

"What's next?" *asks Dallas business owner Bob Oliver Sr. After requiring electronic tax deposits, he says, will the IRS "start pulling the money out of accounts without our permission?"*

Bob Oliver Sr. gets upset every time he thinks about the "Dear Taxpayer" letter he received in July from the Internal Revenue Service. It informed him that beginning Jan. 1, his company would have to start making its federal tax payments electronically—or face a stiff penalty for noncompliance.

"We're a small business, and we struggle," says Oliver, president of Oliver Sales Co., a 25-employee Dallas firm that distributes industrial chemicals. "We float our cash flow just like everyone else. For the government to come in and tell me I will now pay electronically and be penalized if I don't really bothers me. I feel taxed and regulated to death."

Oliver is not alone in his frustration. His company is just one of more than 1.2 million businesses that the IRS contacted by letter in June and July about making the switch to electronic tax payments.

On July 31, after the IRS letters had been mailed and had generated a storm of protest from small firms, the electronic-payment requirement was delayed six months, to July 1.

The mandate applies to all firms that paid more than $50,000 in employment taxes in 1995. The threshold drops in future years. Failure to pay electronically by the due date will trigger a penalty equal to 10 percent of the taxes owed. The federal taxes involved include the employer's quarterly federal tax, quarterly excise tax, annual unemployment tax, return of withheld income tax, and annual corporate income tax.

Electronic payment of taxes by a business is accomplished either through electronic debiting of the firm's bank account by a financial institution or through any of various arrangements in which the firm or, say, its payroll-services company initiates an electronic transaction that sends funds to the IRS by the due date; the transaction must be initiated no later than the business day before the due date.

Susan Hodges is a free-lance writer in Takoma Park, Md.

The choices facing businesses under electronic payment may be complex, but the system may not be as onerous as it might appear at first glance. For one thing, neither type of compliance procedure requires that a company have a computer linkup with the IRS or with a financial institution. The authorization of electronic payment can be made by a telephone call. And the costs to businesses of paying electronically will not be substantial; some firms' costs may even decline.

Although it was only recently that affected employers began learning of their new obligation, the electronic-payment requirement is a provision in the legislation enacted to implement the North American Free Trade Agreement, which was approved by Congress in late 1993.

The U.S. Treasury Department proposed that the provision be included in the legislation as a way to help offset the loss of revenues that would result from treaty provisions that eliminated about $7 billion in tariffs and other trade fees.

Electronic payments give the Treasury access to the income on the tax-due date rather than one day later, as is the case when companies pay by check. Having the money in hand a day earlier allows the Treasury to earn an extra day's interest on the collected funds, which in turn can reduce its borrowing needs.

The government's goal as set forth in the trade-treaty legislation is to see that at least 94 percent of all depository taxes are collected electronically by 1999.

If your company didn't pay $50,000 in federal employment taxes in 1995, it may not mean you've escaped the new requirement, however. Companies meeting the $50,000 threshold for the first time in 1996

must begin electronic payments by Jan. 1, 1998. Companies paying just $20,000 or more in employment taxes in 1997 must start paying electronically by Jan. 1, 1999.

Until now, NAFTA and the IRS have required only about 1,500 businesses—those paying at least $47 million annually in employment taxes—to pay electronically. An additional 63,000 businesses currently pay their taxes electronically; they nonetheless will have to apply, like the newcomers, to take part in the Electronic Federal Tax Payment System.



PHOTO: T. MICHAEL KEZA

"It's just another opportunity *for small businesses to trip up," says finance-company president Jed Fochtman, who learned of the new IRS rule while talking with a friend.*

The trouble for many businesses is that they are only now becoming aware of the need to alter their tax-paying procedures. An April survey of 593 companies by Automatic Data Processing, Inc. (ADP), a payroll-services company based in Roseland, N.J., showed that more than 70 percent of businesses subject to the payment mandate weren't aware of the new rules at that time. As a result, the IRS's "Dear Taxpayer" letter came as a rude surprise to most of the more than 1.2 million companies that received it.

Even after the IRS letters went out to companies not yet in the system, random phone calls by *Nation's Business* in late July revealed that many business owners still didn't know about or understand the new requirement.

For example, Jed Fochtman, president of Commercial Finance Corp., a five-person finance and leasing company in Chantilly, Va., said he never got a letter from the IRS. He found out about the electronic-payment requirement by talking with a friend. "I think it's really unfair," he says. "It's just another opportunity for small businesses to trip up."

Failure to receive official notification is no excuse for missing the July 1, 1997, payment deadline, according to the IRS. And penalties will be assessed for late payment, beginning the next day.

Although large companies typically rely on their own payroll departments to comply with electronic-payment regulations, small firms are far more likely to need outside help. The main options for assistance are your bank, your accountant, and your payroll-processing firm if you have one.

Whether you try to comply on your own or seek outside assistance, the first step is to enroll in the Electronic Federal Tax Payment System. The IRS set up the system to handle the flood of new electronic transfers of funds. But don't delay. In its letter, the IRS advises that it takes up to 10 weeks to enroll in the program; instructions for doing so are enclosed with the letter.

Dave Bertolet, president of James T. Kellie Plumbing, Inc., a 55-employee business in Franklin, Ind., tried to get a head start on enrollment by calling his bank as soon as he received his IRS letter. But the bank's loan officer hadn't been briefed on how the bank would offer services to customers paying taxes electronically; the information wasn't available from the bank until two days later. "The toughest thing for us," says Bertolet, "has been our general lack of understanding about what this will entail."

When you enroll you must choose one of two payment options—funds debit or funds credit. You may choose both, enabling you to switch from one to the other later on.

Funds Debit

This method is the simpler and less costly.

At least one day before the tax payment is due, your company must call a toll-free phone number to reach either of two banks that the IRS has designated as a Treasury financial agent. During the call, you give the bank authority to take money from—to debit—your account for the tax owed. The debit is to occur no earlier than the following day.

Once you complete the phone call, you have met your obligation, provided the funds are in your account. The IRS considers the tax paid and withdraws the money on its own schedule.

When you call using a touch-tone phone, an automated voice-response system will lead you through the procedures for entering the amount of your payment, the type of tax you are paying, and the name and address of your bank as well as your bank account number. (If you use a rotary phone, a customer-service representative will help you make the transaction.)

Generally, businesses in the northern tier of states will call First Chicago/Mercantile Services, and businesses in the southern tier of states will call NationsBank. The exception is California; businesses north of Los Angeles County will call First Chicago, and businesses in Los Angeles County and south will call NationsBank.

If the bank you call is the wrong one for your location, you'll be prompted to call the other number.

Business owners who are uncomfortable with a Treasury financial agent withdrawing money directly from their accounts can use their own bank, accounting firm, or payroll-services company as a go-between.

With this approach, you grant permission to the go-between to debit your account. The IRS then debits the account of your go-between rather than your own account.

Fees for this service will vary. Accounting firms may perform the service at no charge to current customers, while payroll-services companies will charge according to the package of services you select. Banks are expected to charge from 50 cents to $4 per transaction. Using a go-between is also expected to be more time-consuming.

"Right now, many customers visit our bank to pay in person, a process that takes between 30 minutes and an hour," says John Rao, senior vice president of payments and Treasury service at Chase

Manhattan Bank in New York City. "Paying by telephone is going to be so much easier."

Funds Credit

Business owners who choose this method have more control, and thus more responsibility, for ensuring that their payments reach the IRS on time.

When you use the funds-credit approach, you deal with the bank, accounting firm, or payroll-services company of your choice—as long as the institution can initiate electronic transactions.

With a telephone call or a command via your personal computer (an option some institutions will offer), or through an advance arrangement, you authorize your institution to send money to—that is, to credit—the IRS. The transaction must be initiated at least one day before the tax is due.

Although this method sounds similar to the funds-debit method, under this arrangement the IRS is not taking the payment but receiving it, an important distinction. Thus, if your authorized agent makes a mistake, the IRS will hold you—not your agent—responsible. (Your authorized agent may agree to reimburse you for any penalties you pay because of any mistake by the agent.)

And with the funds-credit procedure, the IRS considers that a deposit is made not on the date you order the transaction but on the date the U.S. Treasury receives the payment.

Financial institutions' fees for their funds-credit services will vary, although they could be higher than fees under the funds-debit method. Elizabeth Jennings, Treasury Division sales manager at NationsBank's Mid-Atlantic Division, says business customers using the funds-credit method will be charged $15 a month for electronic services plus a per-file fee of $7 and a fee of about 15 cents for each type of tax payment.

Once your electronic service is established, you can use it for other electronic transactions, such as direct deposit of payroll.

Although customers might prefer the funds-credit method, Jennings believes cost will be a factor in companies' choices. For that reason, NationsBank expects most of its commercial customers to choose the funds-debit method.

> **"The toughest thing for us has been our general lack of understanding about what [electronic tax deposits] will entail."**
>
> **—Dave Bertolet, President, James T. Kellie Plumbing**

Because the electronic-payment mandate and the choices accompanying it are complex, nearly everyone finds them confusing. "This is terrible," says Bill Caldwell, a tax partner with Bond Beebe, a Washington, D.C., accounting firm. "Even I get confused." He says his firm has been deluged with requests for help from clients confused about the electronic-payment system's enrollment form.

The process may not be complex for companies that use an outside payroll service. They can add employment-tax payments to the service's responsibilities.

"We already file and pay employment taxes for thousands of clients now," says Slade Kobran, senior director of employer services at the ADP payroll-services company. ADP will calculate the taxes a client owes, keep track of all payment deadlines, and make sure the payments reach the IRS on time. "We'll take responsibility and pay any penalty that results from any mistakes we make," says Kobran. ADP offers more information at *http://www.adp.com* on the Internet; or you can call 1-800-225-5237, Ext. 5032.

Paychex, Inc., a major payroll-services company headquartered in Rochester, N.Y., is offering the electronic-tax-payment service at no extra charge to customers who use the firm's existing electronic-payment system, TaxPay Service. "We choose the payment method for our customers and then take the responsibility to make the payment on time," says Diane Rambo, vice president of electronic network services. For more on Paychex's services, call 1-800-322-7292, or go to *http://www.paychex.com* on the Internet.

No matter how you look at it, the way businesses pay their taxes is going to change. And whether companies see the new requirement as a chance to upgrade their technology and procedures or as a Big Brother intrusion by the federal government, they'll have to act soon to avoid breaking the law.

"My question is, what's next?" says Dallas business owner Oliver. "The IRS is an organization with too much power. Will they just start pulling the money out of accounts without our permission?" NB

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MANAGING

Can You Stay Small Forever?

Getting bigger can mean losing what you like about being small. But can you deliberately curtail your business's growth without jeopardizing its survival?

By Michael Barrier

Sheldon F. Jacobs opened a Minneapolis restaurant called Shelly's Woodroast in 1982, and he believes he could have gone on indefinitely with just one restaurant.

"I think this is one of those concepts that has a very long life to it," he says. The restaurant's decor evokes a lodge in the Minnesota north woods, and the cooking is centered on flavorful meats roasted in Jacobs' patented wood-burning ovens. "That restaurant in Minneapolis makes a lot of money," he says, "and I could have lived happily ever after there."



ILLUSTRATIONS: GEORGIA LEIGH MCDONALD

But when you've put a lot of work into developing a concept, Jacobs says, "you want to go out and see if it has as much acceptability as you hope it has. There's something to be said for showing off your child."

Jacobs took the business public, as Woodroast Systems, Inc., in 1994 and has since opened a second restaurant, in Rockville, Md., a suburb of Washington, D.C. Now he plans to expand throughout the Northeast. He sees Shelly's Woodroast as roughly comparable, in market position, to California Pizza Kitchen and Houston's—that is, filling the gap between expensive "white-tablecloth" restaurants and very informal restaurants like the Chili's chain.

So far, Jacobs' story fits a classic small-business pattern: An entrepreneur has a good idea, makes it successful, and expands it, perhaps to many locations. It's a pattern that appeals to many small-business people—but not to all, because, as Jacobs himself acknowledges, growth has its costs.

"I'm not spending as much time in the actual restaurants as I once did," he says. "Now I'm in an office environment. When I'm in the restaurants, people enjoy me chatting with them, walking around, and I don't have a chance to do that as much as I used to." But, he says, "life is give and take; you always give up some things for others."

For many small-business people, the greatest satisfactions in owning a business, which often include working closely with customers and employees, inevitably diminish as the business grows and the owner's role changes.

Many entrepreneurs would rather limit growth than give up those satisfactions. Says Jack Ferner, former dean of the Babcock Graduate School of Management at Wake Forest University, in Winston-Salem, N.C.: "My experience has been that for every one who has dreams of grandeur and size and billions of dollars, there are probably five who prefer to remain small."

Charlene Hein, a bridal consultant in Lakewood, Colo., falls into that category. Her company, Everlasting Memories by Char, was established less than two years ago and is handling seven weddings this year. She thinks she could handle about 15 a year at most. "Eventually, I will probably hire someone to help me with all the paperwork that's involved, and I'll probably have an assistant at weddings," she says.

But she can't foresee hiring employees to handle weddings for her. She wants to be "involved in each of the brides' weddings. They get to be friends, they rely on you," and those relationships are for her the most satisfying part of her work. Neither does she want to hire a staff of photographers and florists or offer a line of wedding products, as some bridal consultants do. "I don't want to have to worry about all that employee stuff," she says.

However wary a small-business owner may be of the risks involved in expansion, growth of some kind—in revenues, profits, number of employees, or size of facilities—is essential for almost every business.

"You have to have some growth, because you're going to want to hire, and you're going to want to give people raises, and your suppliers are going to raise their prices," says T.J. Rodgers, CEO of Cypress Semiconductor Corp. Cypress, a San Jose, Calif., computer-chip manufacturer with $600 million in annual sales, has grown rapidly since Rodgers founded it in 1982. (See "Entrepreneurs Who Excel," August.) "You have to have some growth in excess of the inflation rate," he says.

John R. Thorne, director of the Donald H. Jones Center for Entrepreneurship at Carnegie Mellon University, in Pittsburgh, concurs: "I think there's an argument in many industries that if you don't grow, you can't hold good people, you're not going to stay in touch with the technology or the marketing trends, and you sort of die."

The question is how to control and restrain growth without jeopardizing the company. Here are some guidelines:

Certain kinds of businesses lend themselves to limited growth more than others.

Randy Elder, an assistant professor at Syracuse University's School of Management, says that "your ability to restrict growth is somewhat of a function of your

ability to turn down new business." In many service industries, he notes, this is relatively easy: The house painter who is booked up can simply say he can't do the work.

The more nearly such a business is synonymous with its founder-owner—as with Everlasting Memories by Char—the more easily growth can be reined in; but with planning, the owners of a service business can keep it under control even as it takes on a life of its own.

Esther Headley, president and co-owner of The Research Partnership, Inc., a market-research firm in Wichita, Kan., says she and her partner "have chosen to grow very slowly and steadily, so that we can maintain the quality of the service that we offer our clients." The firm has five full-time and 12 part-time employees.

Even when such service companies have more business than they want, they can refer those customers to other firms and "still look good in the eyes of their customers," says Bill Fioretti, director of the Small Business Development Center at the University of Cincinnati.

Another way to control growth is to raise prices, he says, "and for niche businesses, it's a great way," because it increases income at the same time. "You're losing some of your customers, but that's OK."

Likewise, it's easier to restrain growth in some industries than in others.

Rodgers says slow growth—defined as perhaps 15 percent a year—is not possible in high-tech industries like his, which are dominated by much more rapidly growing companies. "They'll grind you to death. They'll get big, their manufacturing costs will drop, they'll have three times as many R&D people fighting against you."

Charles Heller, who founded and ran two software companies and is now director of the Dingman Center for Entrepreneurship at the University of Maryland at College Park, says that in high tech, "the employees are so critical, and there are a lot of companies bidding for a small pool of outstanding people. If one can't provide incentives for these people—stock options, primarily—one probably can't get them."

Even in seemingly less frantic industries, restraining growth can expose a small business to peril. If you're in an industry where a "category killer"—a big, dominant company—is emerging, "you're going to be squeezed, and you're going to have to be incredibly creative" to survive, says Robert Tomasko, author of *Go for Growth* (John Wiley & Sons; $24.95). When a small firm that wants to stay small is competing with what Tomasko calls a "rule maker," it has to "look at what [the big competitor] is not doing. The answer may be to go upscale in some cases and downscale in others. It may be to have incredible depth of selection in one very narrow category."

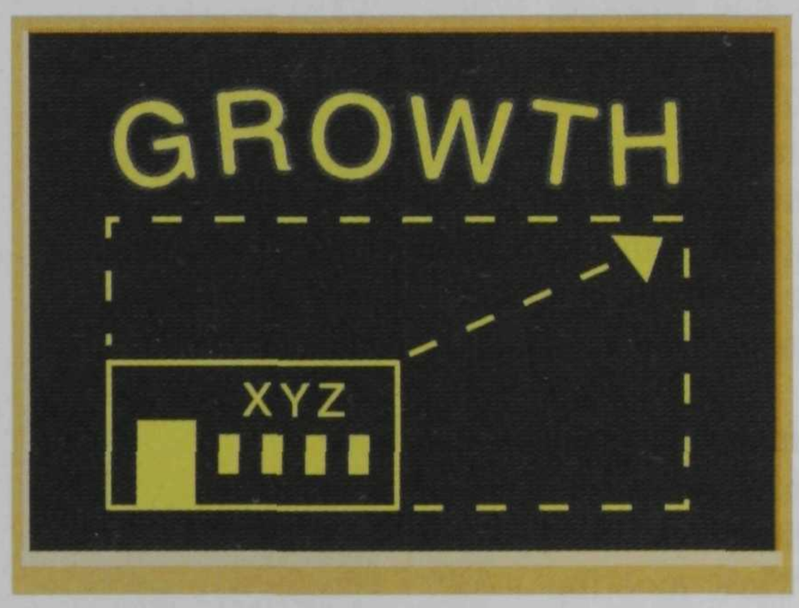
Restraining growth doesn't mean status quo for the company. It still has to grow in aspects other than size.
—Charles Heller, University of Maryland

A lot depends on how you define "growth."

Choosing to limit growth doesn't mean choosing stagnant profits. Says Syracuse University's Elder: "You can still strive to maximize profitability for the size of business that you've chosen."

Says Fioretti: "There's a difference between being growth-oriented and income-oriented. Sales growth for some people is like a high, but the sales are not always profitable."

Similarly, limiting growth doesn't mean refusing to change; in fact, the right changes can be crucial for profitability. A store's product mix may change radically over the years even if the store itself remains the same size.



Says Heller: "Restraining growth doesn't mean status quo for the company. It still has to grow in other ways than size. Just about every company today has to introduce technology internally."

Finding and keeping the right employees is a particularly critical task for a business that's trying to stay small.

"If you're oriented toward keeping the business small," Fioretti says, "you need to nurture those employees who like it small," those who, like entrepreneurs, choose a small rather than a large business.

Such employees may be drawn to a small business because of the diversity of its challenges. "One of the pluses of a small business," market researcher Headley says, "is that you do become a jack-of-all-trades. You're exposed to a variety of things, instead of doing one specialized thing day after day." Communication also tends to be better in a small business, she believes, "and I think that's motivating for your staff."

Other employees may be "intrinsically interested in your product," Tomasko says. "They're willing to study up on it. They live it; they're willing to come up with new ideas on how to do this or that."

So, if you're a little coffee shop down the block from a nationally franchised coffee store, you should look for employees who are nuts about coffee and can tell customers whatever they want to know about it. Or if you're a small bookstore, you should look for employees who read the books and can recommend titles to customers.

If you go public, forget about restraining growth.

Now that Shelly Jacobs has shared ownership through his public offering (he still owns about 40 percent of Woodroast Systems), "I must grow," he says. "I don't have any choice anymore," because he now must answer to stockholders as well as to his own desires.

Going public represents a commitment to growth, so "make that decision with your eyes open," Tomasko says, "and make sure you're in an area that's going to support that kind of growth.

"Make sure too that you and your people are going to enjoy having that kind of pressure on you. The market tends to want to see perpetual earnings growth; and if that's what you want, going public is a great way to be pressured to do what you want to do anyway."

But if growth for you has dimensions that are more important than earnings growth, such as improving your product or increasing your satisfaction with the business, he says, "you could be setting yourself up for a very unpleasant time."

Even if a company finds itself on a growth path, it won't inevitably lose the virtues of smallness, Elder says. True, entrepreneurs who don't hire the necessary help and delegate to them "all of a sudden find themselves in the office, making those management decisions."

"But if they're willing to let go a little bit and hire some competent managers to help them," he says, "they can continue to be in touch with the employees and the customers. They need to have their hands on the pulse of the business."

At every stage of a company's life, in other words, critical decisions about growth and its consequences remain in the hands of the entrepreneur. As you make those choices, Tomasko suggests, don't just look outside at the competition: "Look inside at your own motivations; look inside at what counts as success for you." NB

TRENDS

Home-Office Heaven

By Michael Barrier

Chances are your home office isn't quite like the ones that Van-Martin Rowe, an architectural and interior designer in Pasadena, Calif., puts together for some of his clients.

For instance, a show-business couple in Studio City, Calif., needed two home offices. The wife, a writer-producer, had to have "a private space, where she could be a little messier and shut the door," Rowe says. "When she was involved in a project, she had a lot of stuff laid out." That room also doubled as a guest bedroom, with a day bed.

Such an office may not sound all that different from what you're used to, but read on. "I spent a lot of time with her," Rowe says, "asking her how she worked, what type of equipment she needed."

He designed the office with plenty of built-in shelves and furnishings, so that everything she used was close at hand. It was, he says, like designing quarters on a ship, "where everything is put away, but it's right there. It has its home, but it's easy to access and use."

The husband is a film director, and "his needs were very different," says Rowe, who designed a desk and chair specifically for the husband's office. "He's meeting a lot with the talent involved in the films, so I set up a nice conference table with comfortable armchairs. He says they're so comfortable it's hard to get people to leave."

The husband's desk has no drawers because the wife told Rowe, "If you give him drawers, he will fill them up." Rowe tailored the office to the client's habits and needs in other respects, too: "He receives about six newspapers a day, so I made a special shelf for him"—one with sides, so the papers can be stacked without falling out.

Rowe also made compartments "that are the exact size of a script" so the film director "could divide his work easily without having to be a really organized person."

Through the design, Rowe says, "we solved a lot of problems and also made [the office] look nice, because these pieces are fully in view all the time. They didn't want [the space] to look too commercial because it is their home."

Such home-office elegance isn't restricted to Hollywood glitterati. In Bethesda, Md., just outside Washington, D.C., Dr. David A. Morowitz, a Washington internist, writes books, articles, and speeches in a home office that is separated from his house.

The office is a small (14 by 28 feet) "library pavilion"—as architects Theodore Adamstein and Olvia Demetriou call it—that was designed to evoke classical Greek models. "We knew their love of antiquities," Demetriou says of Morowitz and his wife, "so we came up with the idea of creating a little pavilion on the hill in their back yard—an extremely quiet, idyllic place."

"The whole thing encloses him," says Adamstein, "and provides a serene and calm environment for him to do his work."

There are two desks in the pavilion: what Demetriou calls a "service desk, which is behind him—a functional desk, the messy

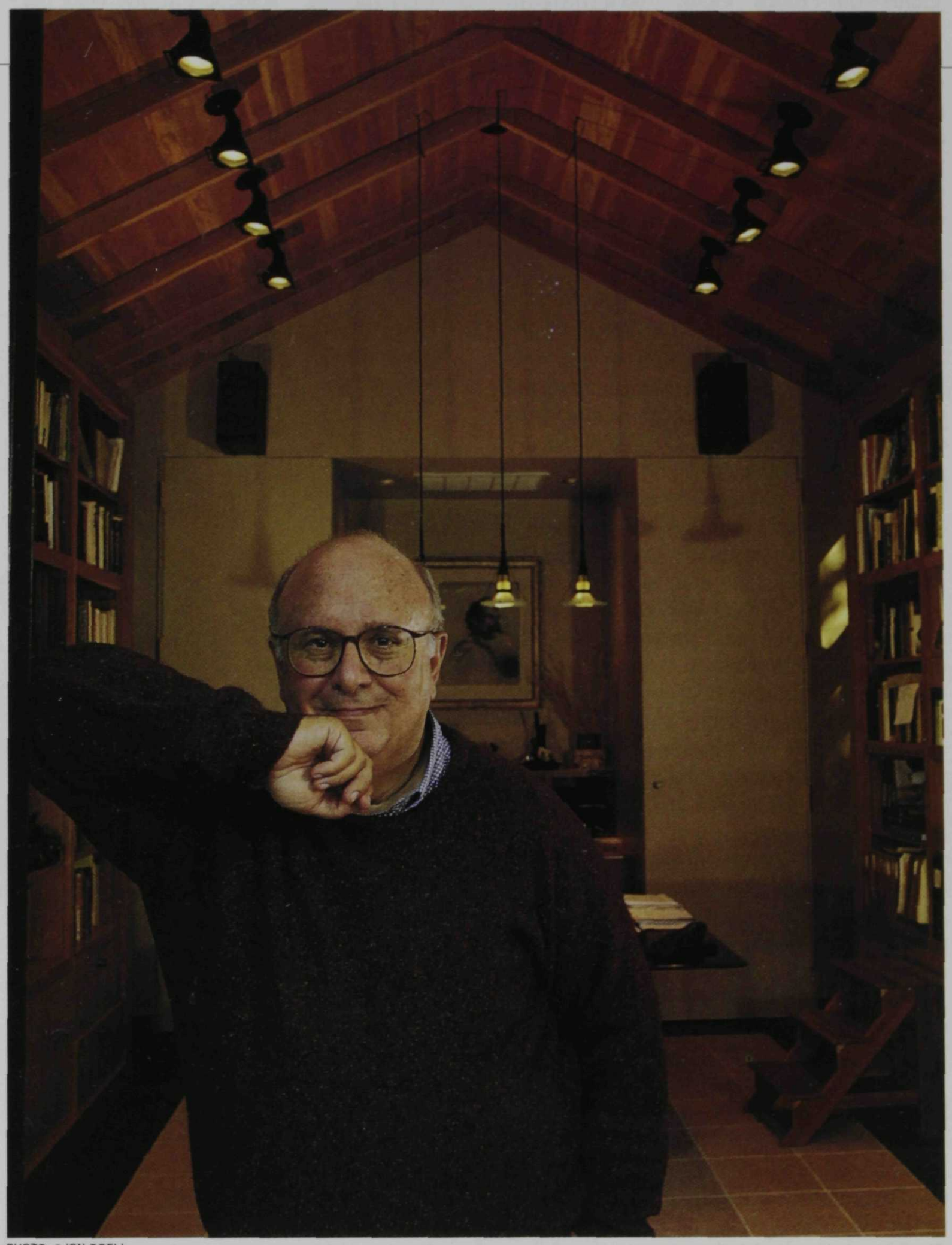


PHOTO: ©JON GOELL

Physician *David Morowitz doubles as a writer and photographer in this office a few steps from his Bethesda, Md., home.*

When you're trying to make your work space a little slice of paradise, consider what you're going to do there.



PHOTO: ©THEODORE ADAMSTEIN, ARCHITECTURE AND INTERIOR DESIGN: ADAMSTEIN & DEMETRIOU ARCHITECTS

The Morowitz home office *was designed as a classically inspired pavilion by Washington, D.C., architects Olvia Demetriou and Theodore Adamstein.*

one. Then you have the ceremonial table, where all the great thinking and writing is done." Adamstein and Demetriou designed the table especially for the room. "It's all very functional," she says.

Morowitz even converts the office into a photography studio on occasion—his photographs will illustrate a book on the Italian villa I Tatti, to be published next year by art-book publisher Harry N. Abrams Inc.

Expert assistance in designing home offices does not come cheap, of course. Morowitz says the library's cost was in the "upper five figures, but it was worth every penny."

Rowe, who designed the Studio City offices, doesn't want to disclose prices on specific projects, but it's safe to say that home offices like those he designed for the couple require an investment well into the thousands of dollars.

Not everyone who works at home can afford or wants to pay for such elegant accommodations; but the principles visible in Rowe's and Adamstein and Demetriou's work can be detected in more-modest home offices that are equally pleasing to their owners.

For instance, Bill Vick runs his business out of a rather ordinary-looking spare room in his home in Plano, Texas. Vick and Associates has been home-based for more than 10 years.

Before starting his own executive-recruiting firm, Vick was, among other things, a corporate executive, the owner of a chain of computer stores in Dallas, and the vice president for sales and marketing of an Austin, Texas, software company.

Around the end of 1994, Vick lost one of his two researchers. It was at a time when he had a large recruiting contract, "so I turned to the Internet," hoping to find other recruiters who would work with him in finding candidates. What he found there instead, he says, "was kind of a vacuum."

There was no Internet-based organization to help small recruiting firms like his, so he created one, called Recruiters On-Line Network. "It took off so fast," he says, "that I got out of the recruiting business totally." His goal, he says, "is to provide anything that's needed by any recruiting business—training, forms, software, hardware, whatever it is."

His Internet-based association now has more than 2,000 members, at a membership fee of $295 a year—and Vick runs the business by himself, from that spare room, with the help of sophisticated computers and other machines.

In terms of technology as well as accommodations, there could hardly be a greater contrast with David Morowitz's home office. ("I keep a laptop computer out there," Morowitz says of the equipment in his library pavilion. "The only other thing I use is my head.")

What really counts for both Morowitz and Vick, though, is that their offices are designed not for show but to facilitate the work they do there. Their offices and their work are in harmony.

The critical element, Vick says, is "having the right mind-set. It's all up here," he says, pointing to his head. "This is what makes success and happiness. This stuff"—he gestures at the up-to-the-minute technology he works with every day—"is all transitory. It's how you feel about it. I feel better about my office and my business because it's organized."

Vick got help from a professional organizer, Lisa Kanarek, who owns a Dallas-based company called Everything's Organized. "Everything you need should be within reach," Kanarek says. She



PHOTO: ©CHRIS CORVATTA

helped Vick sweep his office clean of clutter and distractions; it is now, if not a completely paperless office (he still has a fax machine), very, very close to it.

Before Kanarek helped him reorganize his office, Vick says, he was aware of his surroundings in a way that made him uncomfortable and unproductive: "When you have everything kind of junked up, you don't want to walk into it. It's overwhelming. I stopped having people in my office because I was embarrassed by it."

Now, by contrast, "I'm really focused here," Vick says of the time he spends in front of his computer screen. "This room kind of disappears for me; I don't see it."

Vick is "a really leading-edge guy," says Paul Edwards, who with his wife, Sarah, has written five books on working out of the home. But as Vick's experience indicates, even someone who understands what new technologies offer to home-based businesses can stumble over mundane obstacles.

Many people don't take home offices seriously enough, says Georgene Pijut. She had her own home-office-design firm in White Plains, N.Y., for two years and now works as a liaison with architects and designers for an office-furnishings dealer in Stamford, Conn.

"They think, 'OK, I'll work on the kitchen table,' until they start getting backaches and neck aches and wondering why it took so long to get through a project," she says. "A lot of times they don't even realize how much could be done to help the situation out."

Fashion consultant *Patty Fox's all-but-invisible office in her Beverly Hills, Calif., home was designed for her by Van-Martin Rowe.*

A poorly designed home office can lengthen the workday, she says: "People spend a lot of time just looking for things because they're not organized."

So how should you go about making your home office a heavenly place to work? The experts agree that planning is the key. Questions you should address include:

How will your office fit into your home life?

"You want to sit down and identify what you're going to be doing in your home office and what you're going to be doing in your home, and how you can make the two of those meld," Sarah Edwards says. "If you have teenagers who are going to want to bring their friends over to swim or to practice band, that's a reality of your household.

"A really good home office enables you to enjoy both sides of your life better," she continues. "A poor home office detracts from the quality of both."

What will you actually be doing in your home office?

Alice Bredin, a Manhattan-based consultant and author of *The Virtual Office Survival Handbook*, suggests that you "sit back and think about the kinds of activities you'll be engaging in during the day, and design your office based on that. Observe your work habits for a few days." For instance, do you need a lot of surface areas where you can spread out your work?

Says Pijut: "Some people work on the computer 20 hours a day, other people are out in the field most of the time and come in just to use the phone. They'll have vastly different needs in the way their offices are set up."

Are you using a "real" office as your model?

Bredin suggests that you "put aside the ideas of a traditional office. You may not want to keep all your supplies in one place

on the other side of the room just because you're used to walking over to one of those big two-door metal cabinets that you had in your office."

Are you allowing enough space for storage?

Many people, says Sarah Edwards, "set up their home office in the smallest bedroom, perhaps, not realizing that they're in an information-intensive business that can't all be fit into the computer."

The Edwardses themselves have a room devoted to eight filing cabinets, she says, and "we wouldn't be able to work in a home office if we didn't have this room on our third floor."

Are you choosing the right room for your office?

As designer Rowe points out, it hasn't been typical to build a house with "a space for working at home. So you have to reuse a space or use it for two purposes." Your choice of that space is critical.

"Establish your work space in a part of the house that has lots of light and air," Bredin says. "Think about the conditions all year round in the office that you're choosing." It's important, too, she says, to "set up your office away from busy areas of your home."

Pijut cautions: "A lot of people put their office in the basement, and they get cold."

Once past such major issues, many smaller ones come into play—issues addressed in books like those written by the Edwardses, Alice Bredin, and Lisa Kanarek. (See "For More Ideas," Page 40.) You need to think about the number and location of electrical outlets, about getting the best possible chair, and even about the way your home office is painted.

"Space is a way that people will continue to psychologically divide their lives."
—Author Sarah Edwards

"Color has a big impact," Pijut says. "A lot of times, tans and browns tend to make people feel tired. You may want to put some splashes of red and yellow in there to make it feel lively."

For some home workers, particularly those with limited space, the most pleasing and productive home office may be one that is indistinguishable, in color and in every other way, from the rest of a well-designed household—and one that is in fact concealed within the household.

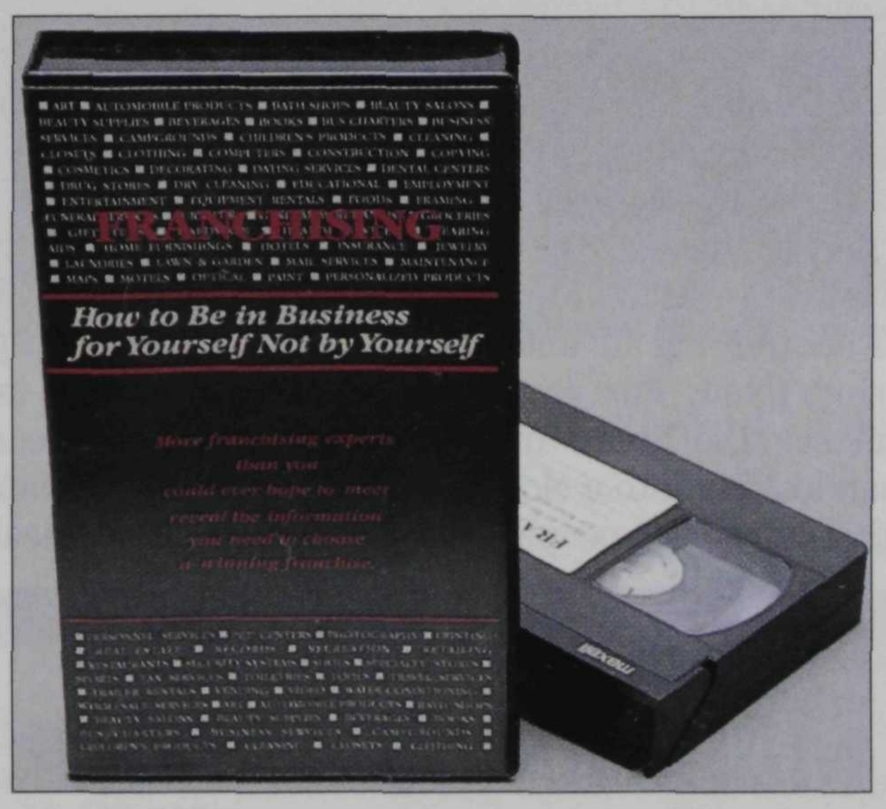
Such is the case with the Beverly Hills home office of Patty Fox.

Fox is a fashion consultant whose work includes an annual role in the Academy Awards ceremonies that she describes as "connecting the presenters and nominees with fashion designers, to get the right outfits."

She previously worked out of a closet in her library, a room she also used for editing slides and showing videotapes. Her work spilled out of the closet, she says, "so the whole room was chaotic." She turned to Van-Martin Rowe for help.

Rowe's suggestion: Move the office into the living room. "When she's working, it's very intense, and she needs room for all kinds of props and clothes and materials," he says. "On the other hand, she also has an active social life, and she did not want

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to give up her living room."

To accommodate both demands, he designed the living room so that everything in it does double duty. "I found furniture with wheels on it, so it was easy to move around," he says. The furniture is modular, so pieces can be taken away or added to or grouped in different ways; there's nothing built-in. For instance, the tables at either end of the sofa are on wheels and double as work surfaces; one holds a fax machine on a lower shelf.

A folding screen conceals a large photocopy machine; closed cabinets hide work-related videotapes and other visually unappealing materials. The idea, Rowe says, "is to make something appear and then disappear, so the office is fully functional and there when you need it" but vanishes magically when you don't need it.

Combining her home office with the living room, Fox says, "really created another room"—one that can be seen only when she wants it to be seen. "When someone comes in the front door," she says, "they cannot see it." Fox's desk is behind a tall sofa. "As long as I keep the piles on the desk shorter than the top of the back of the sofa," she says, "no one knows it's here."

There's another big advantage to the new arrangement. Now, Fox says, "on a clear day I can see the ocean from my desk, rather than looking into a closet."

For other business people, the perfect home office is not so much invisible as portable. Thanks to technological advances—especially the communications capabilities exemplified by the Internet—"it really doesn't make any difference where you're located," says Paul Edwards.

He recalls meeting a San Francisco lawyer who conducts his practice from a chauffeur-driven limousine: "He doesn't have another physical office."



PHOTO: ©MARK PERSTEIN

Recruiting-services provider *Bill Vick turned to Dallas consultant Lisa Kanarek for help in organizing his highly computerized home office.*

Home-office pioneer Bill Vick is slowly dissolving his ties to his own home office. "I go someplace now about every other week," he says of his trips away from Plano, "and I never miss a beat in my business as long as I have a telephone line."

Next year, he says, he's going to run his business for six months from France: "I'm going to go to Provence and kick back and search for the perfect Bordeaux."

Paul Edwards doesn't see the home office disappearing, though, "and the reason is in part psychological. Place, for most people, is important—having a definite sense of structure, of belonging."

If there is no such distinct space, Sarah Edwards says, "one problem that people can have is that they're on duty 24 hours a day. I think that space is a way that people will continue to psychologically divide their lives, so that they have a life outside of their work."

In other words, if you want your home office to be truly heavenly, make sure you can walk away from it. NB

To order a reprint of this story, see Page 66.
For a fax copy, see Page 33.

For More Ideas

Working in a home office has evolved over the past decade or so from an oddity to what Sarah Edwards calls "a lifestyle choice" to, in many instances, what is clearly the most sensible and practical option. "The whole reality has changed so much since we started writing about this," Edwards says.

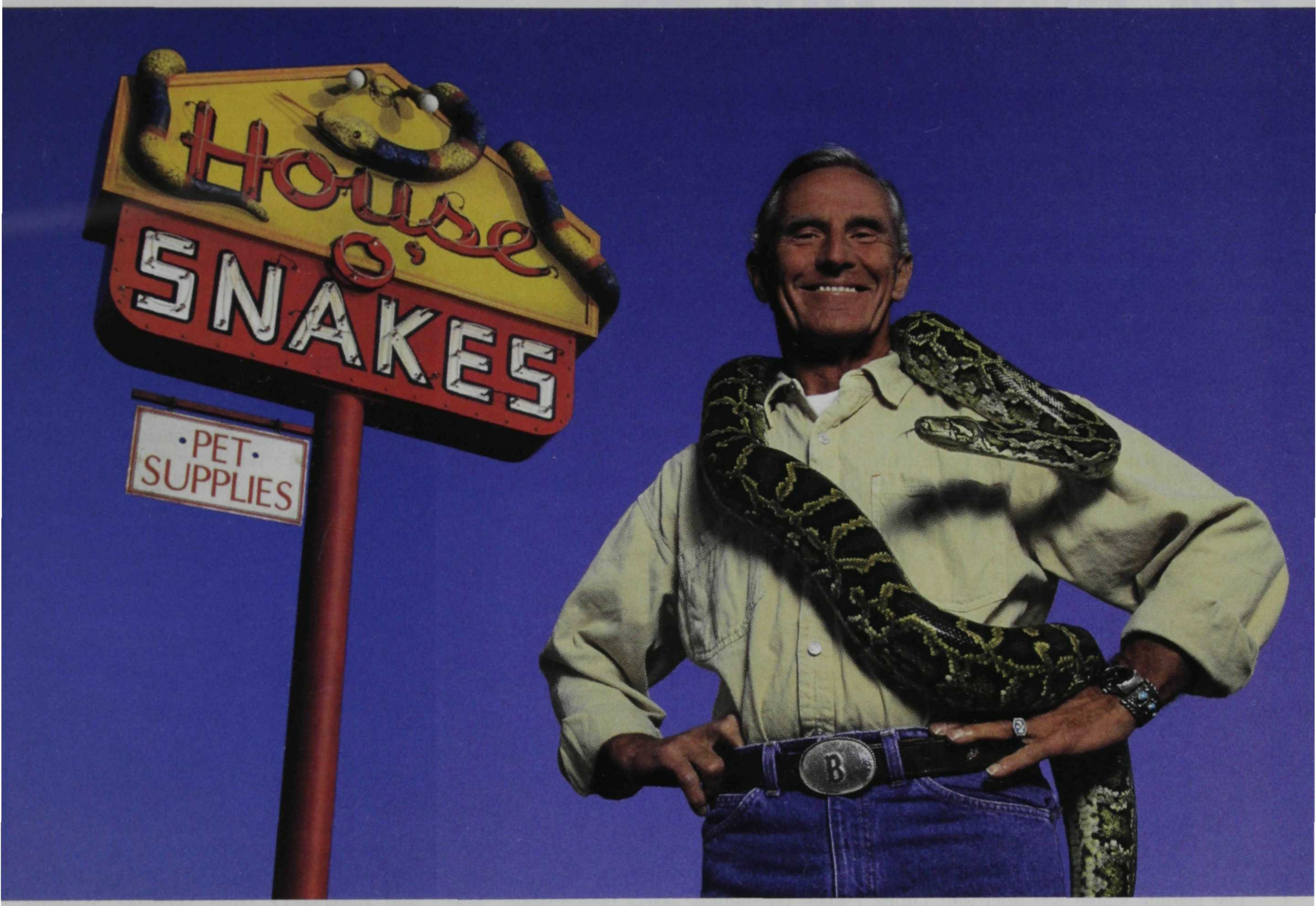
With that change has come a flood of books with advice on how to set up and organize a home office. Among these books, all of which are available as trade paperbacks, are:

Working from Home, by Paul and Sarah Edwards (Tarcher/Putnam, $15.95). Now in its fourth edition, this 554-page book is the flagship of the five books written by the Edwardses, probably the best-known of all the authorities on home-based employment. It is an exhaustive guide to just about every aspect of working at home, from taxes to insurance to zoning problems. The Edwardses' next book, *Teaming Up,* scheduled for publication next March, will deal with collaborative efforts among business people who work from home or other small offices.

The Virtual Office Survival Handbook, by Alice Bredin (John Wiley & Sons, $16.95). Half the length of the Edwardses' book, Bredin's covers more territory—in a brisk, no-nonsense manner—since it embraces not only home offices but other nontraditional office arrangements (working from hotel rooms, telecommuting, and so on).

Everything's Organized, by Lisa Kanarek (Career Press, $16.99) is the most recent book by a professional organizer who has written two other books addressed more specifically to the home office: *101 Home Office Success Secrets* (Career Press, $8.95) and *Organizing Your Home Office for Success* (Plume, $10).

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TRENDS

Business Software For Home Offices

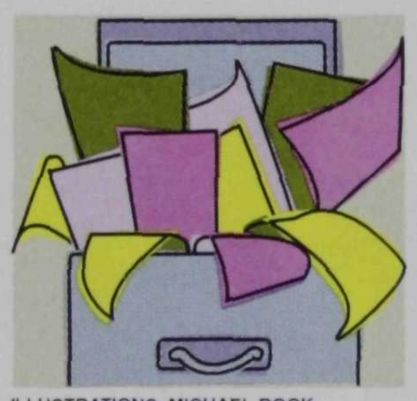
These programs can make you as productive at home as you would be in a traditional office.

By Tim McCollum

For many entrepreneurs, their home-office PC is their principal business computer, whether their firm is based at home or in a more traditional office. There's a good explanation for this phenomenon. "When you are in your home office, you're doing productive work because you're stripping away" the distractions of a more traditional office setting, says Alice Bredin, author of *The Virtual Office Survival Handbook*. Another factor, she says, is the software that enables people to work productively at home.

Some of that software comes with computers sold for home use; the rest can be obtained from retail computer stores or directly from manufacturers. Following are some of the types of programs that a home-office computer should have.

Productivity programs include core office software such as word processing, spreadsheet, database, and presentation programs; they can be purchased separately or in discounted bundles called office suites.

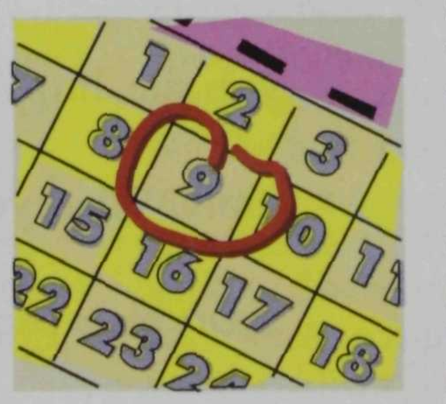


ILLUSTRATIONS: MICHAEL ROOK

The leading suites are Microsoft Office from Microsoft Corp., at $499 for the standard edition without a database program or $599 for the professional edition with the company's Access database software; WordPerfect Suite from Corel Corp., $395; and Lotus SmartSuite from IBM Corp., $679.

In many home offices, a "works" program such as Claris Works from Claris Corp., $129, and Microsoft Works, $54.95 on diskette or $79.95 on CD-ROM (including the Microsoft Bookshelf reference library), will provide adequate productivity tools. These entry-level packages include an integrated word processor, spreadsheet, and database.

Organizers can simplify a small-business owner's life by managing contacts and schedules. Programs such as Goldmine for Windows 95 from Goldmine Software Corp., $295; Janna Contact 95 from Janna Systems Inc., $99; and Lotus Organizer from IBM at $149 can help maintain phone and fax numbers, postal and e-mail addresses, appointment schedules, and other information about business contacts in a searchable database.



Most will work in tandem with your modem to place voice or fax calls or even send e-mail.

Financial software is a growing category that ranges from personal-finance managers to entry-level accounting packages to business financial-management programs.

Good for personal and very basic business financial management are Quicken Deluxe from Intuit Inc., $49.95; Managing Your Money from Meca Software Co., $19.95; and Microsoft Money, $34.95.

Very basic accounting programs, such as Peachtree First Accounting from Peachtree Software Inc., $49, provide do-it-yourself accounting tools for home-based businesses.

TimeSlips PersonalPlus from TimeSlips Corp., $179.95, can help small-business owners track the hours spent on projects and calculate the appropriate bill. Amortizer 96 from Outlook Software Corp., $129.95, calculates business and personal loan payments, asset depreciation, and financial-planning targets.

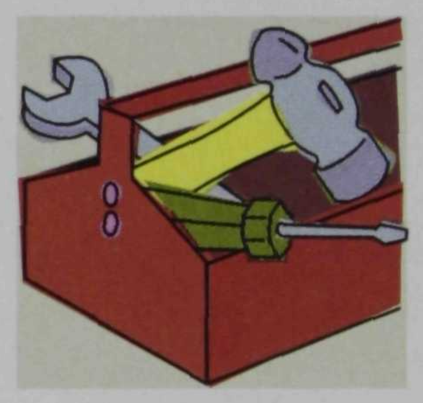
Microsoft's Small Business Financial Manager, $99.95, works with the company's Excel spreadsheet program and most popular accounting programs to provide business-planning and financial-analysis tools.

Utilities can help you—in your role as home-office computer technician—diagnose and fix problems and get the most out of your system.

A useful tool is The Norton Utilities from Symantec Corp., a $119 program that enables users to perform basic hardware maintenance, fix potentially catastrophic problems such as corrupted files or damaged disks, and restore lost data.

Anti-virus programs are also crucial, whether you're bringing files back and forth from the office using floppy disks or transferring them via a network connection or the Internet. These programs scan incoming files and files already on your hard disk for "viruses" that can corrupt your data or even prevent your computer from booting up. Popular programs include VirusScan from McAfee Inc., $65; The Norton AntiVirus from Symantec, $79; and Dr. Solomon's Anti-Virus Toolkit from S&S Software International Inc., $80.

Managing software files on Intel-based computers is easier with Microsoft's Windows 95 operating system—particularly with its Windows Explorer utility—than it has been with earlier versions of Windows or DOS. Nonetheless, many users prefer using a desktop maintenance and navigation program called The Norton Navigator from Symantec, $99, which provides additional flexibility in organizing files for easier access.



Eventually you may want to get rid of the programs you no longer use. Programs such as UnInstaller from MicroHelp Inc., $29.95, and Remove-IT from Vertisoft Systems, $39.95, do a thorough job of program removal, whether you're using Windows 95 or an earlier version. NB

Where To Call



Claris Corp.: 1-800-544-8554
Corel Corp.: (801) 765-4038
Goldmine Software Corp.: 1-800-654-3526
IBM Corp.: 1-800-343-5414
Intuit Inc.: 1-800-624-8742
Janna Systems Inc.: 1-800-268-6107
McAfee Inc.: (408) 988-3832
Meca Software Co.: 1-800-288-6322
MicroHelp Inc.: 1-800-777-3322
Microsoft Corp.: 1-800-426-9400
Outlook Software Corp.: 1-800-925-5700
Peachtree Software Inc.: 1-800-247-3224
Symantec Corp.: 1-800-441-7234
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POLITICS

How Business-Friendly Are The Candidates?

By David Warner

President William Jefferson "Bill" Clinton and former Senate Majority Leader Robert J. "Bob" Dole, the 1996 Democratic and Republican presidential nominees, have said repeatedly on the campaign trail that they intend to balance the federal budget, ease regulation, and expand trade opportunities.

While those pronouncements have pleased small-business people, entrepreneurs remain skeptical about how—or whether—either candidate would be able to achieve those goals.

Business owners say they will believe the rhetoric when they see the results, preferably in higher profits, which many believe would stem from the improved economic growth brought on by eliminating the budget deficit, curbing regulations, and expanding exports.

"We in small business," says Synthia Hardy, president of Hardy Ink, a public-relations and government-affairs firm in Daphne, Ala., "have learned not to count our chickens before the check clears the bank."

Because voters cannot know whether campaign promises will be kept, their best hedge often is to mark their ballots based on each candidate's record of achievements and record of fulfilling past pledges.

Hardy, a Republican who was chairwoman of the Alabama delegation to the 1995 White House Conference on Small Business, believes Clinton's performance on small-business issues hasn't been bad. "He's had a much better record on small business than most would have anticipated, but that's primarily because he ended up with a Republican Congress," she says.

Dole, says Hardy, has proved to be "a continuous hawk on the deficit, which is important to small business because of its effect on interest rates. And he has supported capital-gains reductions and other pro-business legislation."

Richard K. Ratcliffe, chairman of Ratcliffe's Inc., an off-campus college bookstore in Weatherford, Okla., also was a delegate to the 1995 White House Conference on Small Business. A registered Democrat, he gives the president credit for moving forward on some of the conference's 60 widely varied recommendations but says he won't be voting for Clinton on Nov. 5.

"I probably won't risk my small-business issues again with Clinton," he says. "I can't trust the White House to really help small business" because of the influence of organized labor and other groups that advocate policies at odds with the views of most business owners.

Dole, says Ratcliffe, has a "fairly good record" on small-business issues. He adds, "I think a Republican White House and a Republican Congress would be better for small business."

Says Charlotte Schexnayder, president of Clarion Publishing Co., in Dumas, Ark.: "I'm a big Clinton supporter. My business has fared much better under his administration than it did under the previous 12 years of Republican administration."

The July Where I Stand poll in *Nation's Business* found that nine out of 10 respondents believe Clinton has not been sufficiently committed to small-business issues. (See the complete poll results in the September issue.)

In addition, anecdotal information collected by business organizations suggests Dole will win the votes of most entrepreneurs.

Here's a look at Clinton's and Dole's positions and records on key business issues:



PHOTO: ©LUC NOVOVITCH—REUTERS

Regulatory reform *and a cut in the capital-gains tax are among the pro-business proposals offered by GOP presidential candidate Bob Dole, right, and his running mate, Jack Kemp.*

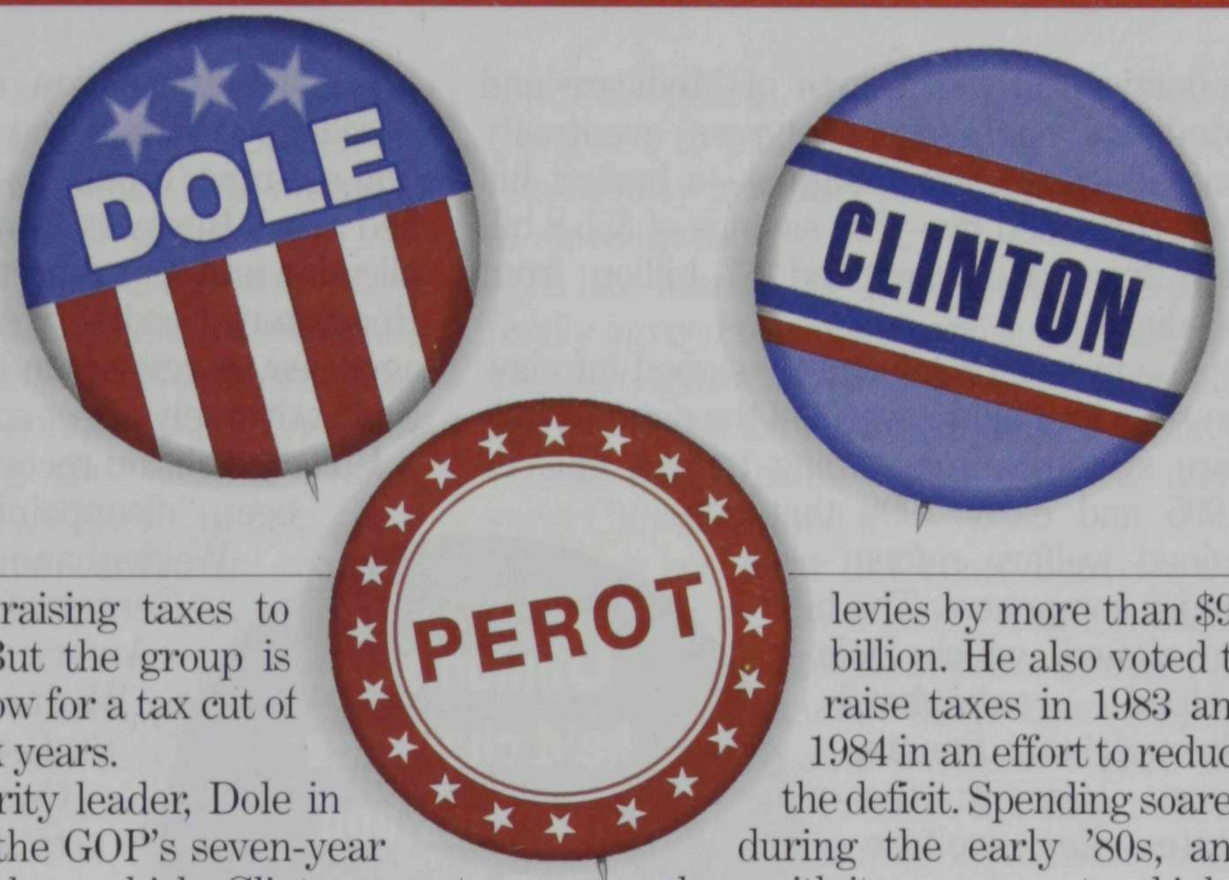
Budget And Taxes

Both candidates have laid out plans to balance the federal budget and provide tax relief.

Clinton says he will propose a plan to balance the budget by 2002 through reductions in government spending while still providing for a modest cut in taxes. As for his record, "he's been reluctant to cut spending," says Martha Phillips, executive director of the Concord Coalition, a bipartisan, Washington, D.C.-based organization that educates people about the budget deficit.

Government spending under Clinton increased by $138 billion from 1992 to 1995, according to the White House's Office of Management and Budget (OMB). The rate of spending growth declined from 1992 to 1993, but it rose again in 1994 and 1995. Clinton's 1993 budget called for spending reductions over five years of $146 billion and

Here are the major presidential candidates' positions on key business issues and their records in fulfilling past pledges.



tax increases on businesses and individuals of more than $240 billion. The Congressional Budget Office (CBO) projected that the plan would cut annual deficits over five years by a total of $433 billion.

Since Clinton's inauguration, the deficit had been cut by $126 billion by 1995. But a study by the Republican members of the Joint Economic Committee of Congress found that most of the reduction was the result of economic growth that followed the 1990-91 recession, an end to federal expenditures related to the savings-and-loan cleanup that began in the late 1980s, and the sale by the government of some formerly unused parts of the broadcast spectrum.

Even after Republicans won control of Congress from the Democrats in the 1994 elections, Clinton resisted efforts to enact significant spending reductions.

For example, he vetoed a Republican budget plan in December 1995 that would have balanced the budget by 2002 through an $812 billion reduction in federal outlays and through $245 billion in tax cuts.

On the tax issue, Clinton's 1993 budget—which passed by one vote in the House with no GOP support and was approved in the Senate with Vice President Al Gore's tie-breaking vote—raised taxes by more than $240 billion. The increases included a hike in the top individual tax bracket to 39.6 percent from 31 percent and a rise in the corporate tax rate to 35 percent from 34 percent.

Another tax was increased with the removal of the ceiling on the amount of wages subject to the 2.9 percent Medicare payroll tax. In addition, the gasoline tax of 14.1 cents per gallon was increased by 4.3 cents.

While the president is now calling for some tax cuts, he recently refused to rule out raising taxes during a second term.

The foundation of Dole's economic plan is an across-the-board 15 percent cut in individual income taxes. He also has pledged to reduce the capital-gains tax by 50 percent and to offer a $500-per-child middle-class tax credit. Reducing government spending and balancing the budget by 2002 will remain top priorities, says Dole. The Kansas Republican has provided few details on the spending reductions needed to pay for the proposed tax cut, however.

"Dole has been a deficit hawk," says the Concord Coalition's Phillips. "He's shown real courage" in proposing cuts in popular programs and in raising taxes to fight the deficit. But the group is critical of his call now for a tax cut of $550 billion over six years.

As Senate majority leader, Dole in 1995 helped craft the GOP's seven-year balanced-budget plan, which Clinton vetoed, and the fiscal 1996 plan that reduced spending for the year by $23 billion.

Dole also led the fight in the Senate for a balanced-budget constitutional amendment that would have required that federal spending not exceed revenues in most circumstances. Clinton opposed the amendment, which the House approved in early 1995 and which twice fell short of Senate approval—by a single vote, then by two votes.

While Dole is counted among Congress' deficit hawks, over his 36 years in Congress his remedies for budget deficits have sometimes been less than business-friendly.

Dole backed then-President Reagan's 1981 budget, which called for tax cuts of more than $740 billion over five years. The plan also called for spending reductions of more than $130 billion over three years.

The next year, however, Dole helped push through Congress legislation that raised levies by more than $98 billion. He also voted to raise taxes in 1983 and 1984 in an effort to reduce the deficit. Spending soared during the early '80s, and along with it government red ink.

Dole was back on the tax-cutting side in 1985, when he helped guide Reagan's fiscal 1986 budget bill through the Senate. That measure contained $122 billion in tax cuts over three years.

In 1990, he supported then-President Bush's budget bill that increased taxes by $137 billion. But then he voted against Clinton's 1993 tax increase and oversaw the GOP's tax-cutting proposals during the budget debates in 1995 and 1996.



PHOTO: ©PHOEBE BELL—FOLIO, INC.

In a second term, *President Clinton says, he would propose modest tax cuts, including a $500-per-child credit and deductions for education expenses.*

Entitlements

Any attempt to bring down the budget deficit, say most economists, must include reining in spending on entitlement programs such as Medicare and Medicaid.

Clinton has made some efforts to check the soaring costs of Medicare and Medicaid. In his 1993 budget plan, he called for savings of about $55 billion over five years through

reductions in the growth of Medicare and Medicaid spending. Congress eventually passed—and Clinton signed—a budget bill that contained five-year savings of $55.8 billion from Medicare and $7 billion from Medicaid.

The president reluctantly signed into law on Aug. 22 a bill to overhaul the nation's welfare system, after vetoing budget bills in 1995 and early 1996 that contained welfare reform as a major component. The bill he signed, which Dole helped shepherd through the Senate, turns over to the states key welfare programs and is expected to save taxpayers about $55 billion over six years.

The 1995 GOP budget bill vetoed by Clinton would have reduced the rate of spending growth in both Medicaid and Medicare. It would have saved $270 billion in the projected growth through changes in the two health-care programs.

In his fiscal 1997 budget proposal, Clinton calls for small reductions in the Medicare and Medicaid spending-growth rates, but the cuts would be too small to keep the programs solvent, according to several analyses. His budget plan for a second term, says Clinton, "will not be compromised by cuts in Medicaid [or] Medicare." In an Aug. 8 speech to the biannual convention of the United Steel Workers of America, Clinton said that cutting Medicare and Medicaid spending was "not necessary to balance the budget."

Dole helped craft the 1995 budget plan that included provisions to keep the Medicare system solvent, and he was a prime sponsor of the welfare-reform bill.

Under Reagan and Bush, Dole also helped steer Republican budgets through the Senate that sought to check Medicare's growing expenditures. The 1986 budget, for example, called for $11 billion in savings over three years.

Regulation

The candidates echo each other on the high cost of federal regulations, their adverse effect on business and the economy, and the need to shrink the size of government. Their approaches differ, however.

During the campaign, the president has said little about what he would do to ease regulations on business in a second term. He has said only that he would continue to "challenge small businesses and regulatory agencies to find cheaper, more-efficient ways than government regulation to meet the high environmental and workplace standards America wants."

Clinton says he'd challenge agencies and small firms to find better alternatives to rules.

The administration can point to some anecdotal evidence that it has attacked federal red tape. It cites as examples its simplified Small Business Administration loan application and its support for a strengthened Regulatory Flexibility Act. The act requires agencies to review and rewrite rules that could adversely affect small business.

But the Clinton record on regulation has been "disappointing," says Murray Weidenbaum, chairman of the Center for the Study of American Business at Washington University, in St. Louis.

One of Clinton's first acts as president in 1993 was to sign into law the Family and Medical Leave Act, which requires employers to grant workers up to 12 weeks of unpaid leave for the birth or adoption of a child or to care for a sick family member.

The president signed into law—and touts as one of his regulatory accomplishments—reauthorization of the Paperwork Reduction Act, which requires the government to cut the paperwork burden on the public by 10 percent in fiscal 1996 and again in fiscal 1997 and by 5 percent a year during fiscal 1998-2001.

But according to a recent report from the General Accounting Office, the administration has not enforced the law. From Oct. 1, 1995, to June 1, 1996, the paperwork burden was cut by less than 1 percent. Furthermore, Clinton exempted the Internal Revenue Service from the paperwork statute. The IRS generates more than 75 percent of the government's paperwork requests to the public, according to the GAO.

Clinton also vigorously opposed Republicans' efforts in the last two years to overhaul a host of regulations that are historically burdensome and costly to business, including the Occupational Safety and Health Act, the Endangered Species Act, the Clean Water Act, and wetlands rules.

Clinton's biggest regulatory sin in the eyes of entrepreneurs was his attempt in 1993 to mandate that all employers provide health-care insurance for their workers.

Dole has a fairly good record on regulatory reform, says Washington University's Weidenbaum. In 1996, Dole was the prime sponsor of a comprehensive regulatory-reform bill and of legislation to protect private-property rights. During his congressional career, he has generally voted against government mandates on business, including minimum-wage increases.

Nonetheless, he has voted to impose some requirements on firms. For example, he supported the Americans with Disabilities Act of 1990, a law whose mandates include a requirement that employers make "reasonable" accommodations to hire disabled people. Dole's right arm was disabled by a wound he received in World War II.

He also voted for the Clean Air Act of 1970, a statute that has been credited with helping to improve the nation's air quality but that also has been attacked as imposing burdensome mandates on business. Dole voted against the Clean Air Act Amendments of 1990, which added more federal mandates on firms.

Dole says that as president he would require a cost-benefit analysis for all new major regulations and would establish a regulatory-review task force to recommend the elimination of outdated or ineffective rules. He also has pledged to sign into law a comprehensive regulatory-reform measure and to enforce the Paperwork Reduction Act.

Labor Policy

Clinton and Dole are in opposite camps in this area.

Clinton is closely allied with the AFL-CIO, which has sought to maintain or expand the labor laws enacted in the 1930s, such as the National Labor Relations Act and the Fair Labor Standards Act, which govern collective bargaining, union organizing, wage rules, and hours. In a recent speech to the steelworkers union, Clinton pledged to continue fighting Republican efforts to change those laws.

On July 30, the president vetoed a bill known as the Teamwork for Employees and Management (TEAM) Act, which would have allowed employers to establish cooperative work teams to discuss various workplace issues. Organized labor was strongly opposed to the measure, claiming it would allow employers to set up "sham" unions.

Dole says he would sign a comprehensive regulatory-reform measure.

One of Clinton's biggest labor battles has been the fight over employers' ability to hire permanent replacements for workers who strike over economic conditions such as wages and benefits. In 1993-94 he pushed for passage of legislation that would have banned the use of striker replacements. And in early 1995, Clinton issued an executive order—since struck down by the courts—that barred government contractors from hiring permanent replacements for striking workers.

(The U.S. Chamber of Commerce filed the lawsuit that challenged Clinton's striker-replacement executive order. The administration recently announced it would not appeal the decision to the Supreme Court.)

Dole has consistently supported the business position on labor issues, voting against increases in the federal minimum wage and helping lead a Senate filibuster in 1994 of the striker-replacement bill.

Among his other labor votes, Dole supported a bill in 1984 that would have banned the use of compulsory union dues for political purposes and, more recently, backed the TEAM Act and a measure that would allow private-sector workers to gain additional flexibility in meeting family obligations by choosing compensatory leave in lieu of pay for overtime work.

Trade Policy

On no business issue are Clinton and Dole more in accord than on the continuing need to expand export markets and promote trade. And according to their campaign position papers and comments, both intend to pursue free-market trade policies.

Both candidates supported the latest round of the General Agreement on Tariffs and Trade (GATT) and the North American Free Trade Agreement (NAFTA)—the trade pact among the United States, Mexico, and Canada. Clinton, in fact, spent considerable political capital in securing passage of NAFTA, which many Democrats opposed.

Clinton and Dole also have supported extension of most-favored-nation trade status to China without conditions.

Clearly, there are differences between the two major-party candidates on issues important to business. For many business owners, the issue that best defines those differences is product-liability reform. For more than 12 years, business had fought in Congress to pass a uniform federal product-liability law to replace the patchwork of state laws.

In late March, the House and the Senate finally agreed to a compromise bill that limited damage awards in product-liability suits and protected firms from unlimited liability.

Dole was a prime sponsor of the measure; Clinton vetoed it.

"It is a real clear difference between the two candidates," says Larry Stanley, president of Empire Bolt and Screw, a small distributor in Spokane, Wash. The veto, he says, "is a very anti-business stance for Clinton to take. Product-liability reform has been a long-standing issue in the business world, and to get the veto was a real slap in the face."

The question to be answered by business people on Nov. 5 is whether Bill Clinton or Bob Dole would better represent their views on the range of issues important to them. **NB**

The Perot Factor

It's a virtual certainty that H. Ross Perot, the 1996 presidential nominee of the newly established Reform Party, won't win election to the White House on Nov. 5. Most polls suggest that Perot will receive 4 to 8 percent of the popular vote, far less than the 18.9 percent he garnered as an independent candidate in the 1992 presidential race against then-President George Bush and then-Gov. Bill Clinton of Arkansas.

"At that level [of popularity], he's not going to have a tremendously important impact," says Guy Molynux, vice president for Peter D. Hart Research, a Democratic polling firm in Washington, D.C. "But he is a factor; he's one more obstacle for Bob Dole."

Perot also has been a factor in forcing the other presidential candidates to make clear to the public their positions on an issue important to business: eliminating the federal budget deficit.

Martha Phillips, executive director of the Concord Coalition, a bipartisan, Washington-based policy organization that focuses on budget issues, says Perot "has done an enormous service by launching the issue of and educating the American people about the deficit and for pointing out the entitlements issue."

In speeches before and since his Aug. 18 Reform Party nomination in Valley Forge, Pa., Perot has detailed the country's budget situation and expounded on the need to curtail the burgeoning federal spending on Medicare, Medicaid, and Social Security.

What he hasn't detailed is how he would address those fiscal problems if he were elected president. He has said that the federal budget must be balanced, that he opposes any major tax cut until the deficit is eliminated, and that the nation's social welfare programs must be changed.

"I think Perot muddies the waters" on those issues because he provides no solutions, says Scott Hodge, senior federal budget analyst for the Heritage Foundation, a conservative public-policy organization in Washington, D.C.

Hodge says congressional Republicans' efforts in the past two years to enact significant spending reductions, including slowing Medicare and Medicaid growth, and the fact that the deficit has come down for each of the past four fiscal years are reasons why the Texas businessman's polling numbers are so anemic this time.

"What is Perot saying that he would do that no one else could do?" asks Hodge.

Perot's earlier proposals suggest he might raise taxes. During his 1992 presidential bid, he proposed a budget-balancing plan that called for several tax increases, including a gasoline-tax hike of 50 cents a gallon.

As the election approaches, Perot is expected to attack Republican presidential candidate Bob Dole's plan to cut taxes on individuals and businesses by $550 billion over six years.

On another important business issue, trade, Perot parts with his Democratic and Republican rivals. He opposed the North American Free Trade Agreement (NAFTA) and the latest General Agreement on Tariffs and Trade (GATT) pact. Clinton and Dole supported both trade agreements.

While Perot says he's for "fair, free trade" and rails against the U.S. trade deficit, he hasn't said specifically how he would deal with trade issues if he were elected.

On other matters important to business, such as health-care reform, federal regulations, and product-liability reform, Perot has said and proposed little.



PHOTO: ©LEE CELANO—REUTERS

Reform Party candidate *Ross Perot says that if he is elected, reducing the federal deficit would be his No. 1 priority.*

ENTREPRENEURSHIP

From Baseball To Business

When "the show" is over for big-league baseball players, what's their next act? Many find opportunities in entrepreneurship.

By Stephen Rush

For the boys of summer, summer doesn't last forever. One way or another—usually because of eroding skills, a serious injury, or simply a loss of enthusiasm for the game—the day comes for major-league baseball players to hang up their spikes and move on.

But to what? Some stay in the sport as managers or coaches, become broadcast announcers, or use their name recognition to pitch a product. Others—especially recently retired star players, who collected big salaries and bonuses—decide they'll never have to work again. A few find themselves aimless without the compass that baseball provided, and they wind up as failures in the outside world.

In baseball, however, the winners are those who know how to capitalize on opportunities—a lesson not lost on most former players. For many of them, those opportunities lie in entrepreneurship.

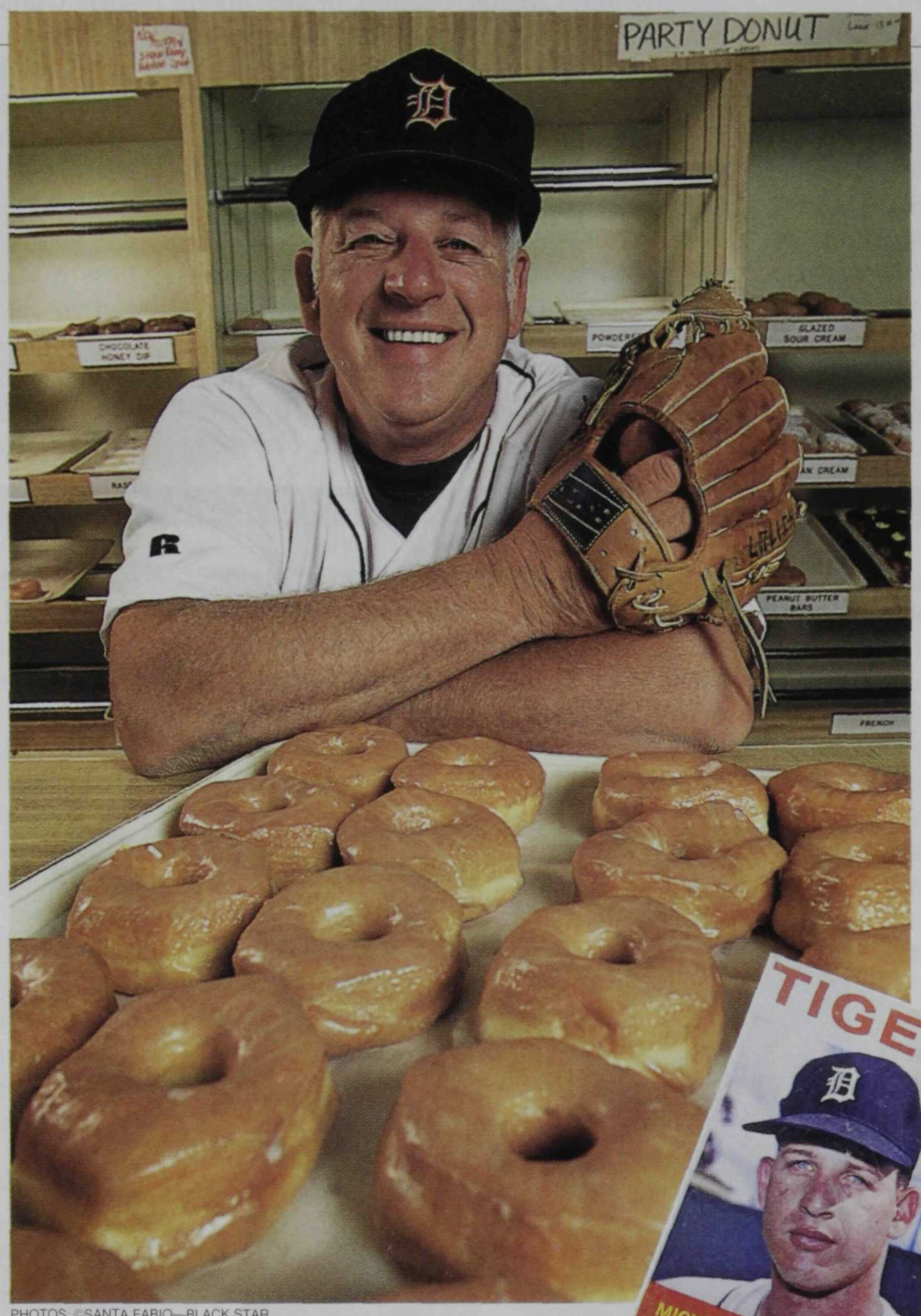
Their chances of success may depend in part on factors unique to former professional athletes. Dr. Joel Fish, director of the Center for Sports Psychology, in Philadelphia, and the sports psychologist for the Phillies organization, says three of the key elements are a player's ability to accept the end of his sports career and move on; whether the player's retirement is planned or unplanned; and how large a role baseball has in the player's sense of identity.

"The good news for former players is that the competitive skills necessary to succeed in the world of sports are similar to the competitive skills necessary to succeed in business," says Fish, who consults with corporations and other businesses on these parallel skills.

"When it comes to being able to deal with pressure, to competitive achievement, to letting go of a bad day, to mental toughness and clutch performance, a lot of athletes, through their sports training, are well-prepared for the world of business."

The downside, Fish says, is that almost all retiring players have "an understandable sense of loss when their careers are over. And there are all the emotions that come along with a sense of loss, which typically include denial, anger, and sadness."

Fish says about half the former players he has dealt with have been "able to reach a sense of acceptance that 'my career is over, I'm able to close a chapter on that part of my life and move on.'" The other half, he says, "have one foot in the past and one in the present because either there's some unfinished business in their career or they just haven't been able to find the same rush, the same charge in their post-athletic life."



PHOTOS: ©SANTA FABIO—BLACK STAR

His career *as a pitcher for the Detroit Tigers helped Mickey Lolich prepare for running his doughnut shop in Lake Orion, Mich.*

The baseball-to-business stories of three former big-leaguers—Mickey Lolich, Bert Blyleven, and Carl Warwick—show how they took different paths to far-different enterprises. But their stories also contain common threads of how the game shaped their approach to business, prepared them for the entrepreneurial world, and forced them to make adjustments.

There are lessons here not only for other professional athletes looking ahead to life after sports but for anyone who owns or wants to own a small business.

Holes In His Plan

Mickey Lolich, who pitched for the Detroit Tigers for 13 years in the 1960s and '70s before finishing his career with the New York Mets and the San Diego Padres, holds the Tigers team records for strikeouts (2,679) and shutouts (39). After handing other teams all those "doughnuts"—sports lingo for zeros on the scoreboard—Lolich decided he liked the doughnut business.

At his restaurant, Lolich's Donut Shop, in Lake Orion, Mich., about 30 miles north of Detroit, Lolich has built a successful business serving coffee and about 100 dozen doughnuts a day to local residents and to people passing through on their way to nearby recreational areas and lakes or who just want to see a former major-lea-

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guer and a Detroit hero. In fact, Lolich says, his baseball reputation gave him a big leg up in his business.

"Baseball helped prepare me for the business world mostly in the aspect that I knew how to deal with people, with the public," says Lolich, 56. "Being a celebrity who helped bring the World Series to Michigan, they had respect for me." (Lolich had three wins and no losses in that 1968 Series, which the Tigers won, four games to three over the St. Louis Cardinals.)

"I've been lucky enough to have success in both my baseball and my business careers," says Lolich. "A lot of former players founder after baseball; they can't take being out of the limelight. This has kept me in the limelight. There aren't many businesses where anyone walking in can see a major-league ballplayer."

The affable Lolich is at the shop in the mornings to greet customers, maybe talk a little baseball, and sign autographs. That's something he's been doing since his days as a player, and he continued his easygoing approachability when he started running his first doughnut shop in 1979 in Rochester, Mich., about 15 miles south of his current location.

After initially retiring from the game in 1976 in the middle of a two-year contract with the Mets, Lolich worked in automobile sales for a year before the Padres coaxed him back onto the field.

When he was in the car-sales job, he and an associate met every morning for doughnuts. "One day [the associate] asked, 'Have you ever thought of opening up a doughnut shop? I mean, you like them enough,'" Lolich recalls with a laugh.

When Lolich decided to leave the Padres in 1979 and retire for good, the associate called with a business proposal: The owners of a doughnut shop in Rochester were opening another restaurant and wanted to sell the doughnut business.

The two became partners, and "every morning I'd go in to greet customers in a three-piece suit, then at 10 I'd go off to the auto-sales job," says Lolich.

In 1981 he bought out the partner, gave up the sales job, and began working full time at the doughnut shop. In 1983 he relocated the business to Lake Orion. He now has about a dozen employees and $250,000 in annual revenues.

Lolich says two things he learned in baseball stand out in his mind as having helped him in business: preparation and consistency. "In baseball, success is where preparation meets opportunity," he says. "The food business is similar in that it is repetitious, day after day, and you have to be very consistent. The difference is that in baseball, when you make a mistake, there's no going back, and everyone knows about it. In doughnuts, if you make a mistake, you can just throw the batch away and start over again.

"On the other hand, in the baseball world, whether I won or lost a game, people would come back and watch again. In the food business, if the product is a loser and customers get something bad, they won't come back again. There has to be quality product every day."

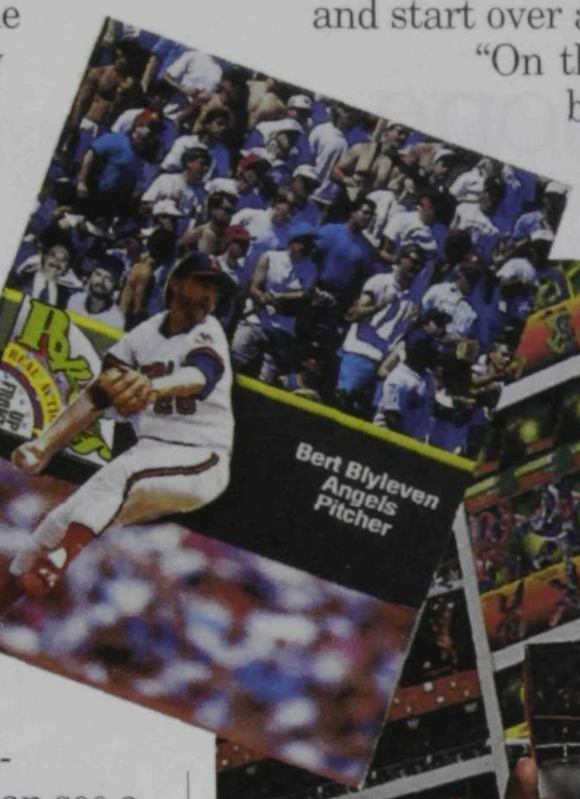




PHOTO: ©BART BARTHOLOMEW

After 22 seasons *in the big leagues, Bert Blyleven is now president of Up Front Sports & Entertainment, which makes three-dimensional collectible cards.*

Lolich's advice to other former ballplayers thinking of starting a business holds just as much validity for any would-be entrepreneur: "Make sure that when you put your money into a business, you're there to watch the business. Be observant; be a hands-on operator."

Still A Real Card

Bert Blyleven was no kid when he retired from baseball in 1992, after 22 seasons in the big leagues. But he always had—and still has—a lot of the kid in him, to go along with his business acumen.

Blyleven played nine years with the Minnesota Twins, with whom he won a World Series in 1987, and he also pitched for the Texas Rangers, the Pittsburgh Pirates—another team he helped win a world championship, in 1979—the Cleveland Indians, and the California Angels.

He was feared throughout the big leagues for his wicked curveball (he's third on the all-time strikeout list, with 3,701) but perhaps was even better known for his practical jokes. Once, for instance, he slapped a pie in the face of Tommy Lasorda—who recently stepped down as manager of the Los Angeles Dodgers—as Lasorda was doing a television interview.

Blyleven also has collected baseball cards since his teens, a hobby that helped lead him into his current business. In 1993, he and his partner, Steve Bergman, started Up Front Sports & Entertainment, Inc., an Anaheim, Calif.-based firm that developed, patented, and now produces Real Action Pop-Ups.

These collectible, three-dimensional cards feature a die-cut action shot of a player or other subject who stands out against a scene of an arena or other background when the card is folded. The cards also include biographical information and, in the case of players, statistics.

Up Front's first project was for Hasbro Toys; Blyleven's company produced almost 2 million pop-up cards that were included in the packaging of Hasbro's Mortal Kombat and Transformers action figures.

Up Front went on to do a retail program with the Harlem Globetrotters and their sponsor Denny's restaurants; a magazine insert for the World Wrestling Federation; and a giveaway promotional card featuring Michael Waltrip, Citgo Petroleum's new driver on the Winston Cup stock-car-racing circuit.

Blyleven says his business, which had

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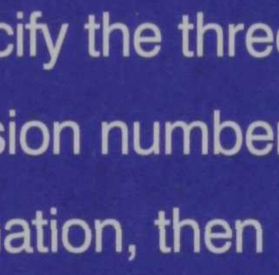
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revenues of more than $250,000 last year, "is at the explosion stage. We have a lot of interested people out there," including 25 of the 28 major-league teams, which would sell the cards in their retail stores and give them away at ballparks.

Blyleven, president of Up Front Sports, says he learned much during his career in baseball that helped him in starting a business. "You have the opportunity in business to compete, and to know that you have to set goals and take one project at a time, just like one game at a time," he says. "The consistency you need on the baseball field you also need in the business world."

What helped him the most in adjusting to the business world, he says, was his partner, Bergman, the company's CEO. Bergman came up with the concept for Real Action Pop-Ups, "and because he has been in the printing and graphic-arts business for 35-plus years, his expertise was crucial."

Blyleven says the biggest piece of advice he could give to aspiring entrepreneurs is to "really educate yourself on the area that you're getting into. Ask questions and don't be afraid to fail. That's the biggest thing, in business and in baseball."

Producing In The Pinch

Carl Warwick is an example of what sports psychologist Fish is talking about when he suggests that retiring baseball players whose identities are not completely tied up in the game may have a better chance at success.

"The players who don't have all their identity eggs in one basket are also the ones who are better able to move on," Fish says.

Warwick spent six years as an outfielder in the big leagues in the 1960s, coming up with the Los Angeles Dodgers before moving to the Cardinals, the Houston Astros, and the Chicago Cubs. Like Lolich and Blyleven, Warwick has a World Series ring—earned with the Cardinals in 1964—but he never achieved the level of fame that those two players did. He does, however, hold a major-league record that might epitomize his work ethic: most consecutive pinch-hits in a World Series, with three.

"I spent six years in the big leagues, and I think that's as long as I could have fooled 'em," Warwick says with a laugh. "And I think the good Lord put me in baseball just to show me that I wasn't going to be a superstar."

Warwick left the game in 1967, at age 29, and went on to own two businesses in Houston: Carl Warwick and Associates Inc., a real-estate firm he formed in 1968, and Questar Travel Inc., a travel agency he bought in 1986 and now co-owns with his daughters, Karla Baker and Julie Chapman, who run the business.

Even when Warwick was in the big leagues, he worked during the off-season, at a Houston paper-supplies business. "In those days you had to work to make ends meet," he says. "The league minimum salary was $5,000"—it's now $109,000—"and at the end of the season, even the year we won the Series, I came straight home, and within three days I was back peddling paper."

Warwick's experiences in the off-season and as a player when he was with the Astros proved to be a big boost when it came time to open his real-estate firm, which is involved mostly in commercial development. In fact, Warwick proved to be ahead of his time in the art of networking.



PHOTOS: ©PAUL S. HOWELL—GAMMA LIAISON

Former National League *outfielder Carl Warwick co-owns a travel agency with his daughters, Julie Chapman, left, and Karla Baker.*

"I spent a lot of time, any chance I could, going to any kind of luncheon for the Kiwanis Club or Rotary Club or a Little League opening. I met a lot of people and made a lot of friends. And when I got into real estate, my business was putting together investment groups. I had a tremendous list of people who were already established businessmen in Houston whom I could go to and show them our project."

Warwick says one of the hardest parts of adjusting to the business world was "adjusting to a different way of life. In baseball, you get up at 10 or 11, spend the day waiting to go to the ballpark at 4, and then you're up till 1 or 2 in the morning. In the business world, things start early.

"In baseball, you're used to someone setting a schedule for you and telling you what time the plane leaves and when the bus leaves—there's not a lot of self-discipline until you get on the baseball field. But this was self-discipline from the time you woke up in the morning till you went to bed at night."

Warwick expanded the real-estate company into a thriving business that was active in shopping-center development and at one time had 23 employees. But the firm was hit by the mid-1980s downturn in the Houston real-estate market.

He scaled back the company, which now has $150,000 to $200,000 a year in commissions, but he diversified into sideline enterprises that he since has sold at a profit—all except the travel agency, which has eight employees and annual revenues of between $3 million and $4 million.

Warwick's advice to aspiring entrepreneurs bears out the experience he has gained in nearly 30 years as a small-business owner: "Make sure you don't start it with too much overhead. You have to start it from the ground up, work it from the ground up, and grow as the profits from the business allow you to grow.

"And sometimes you have to find some way to diversify; you've got to do something else. I think baseball taught me that, too. In fact, I think playing any type of sport teaches you discipline. I have four grandsons, and as long as I can keep them in sports, I think they'll have a better chance to make it in the world." NB

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Free-Spirited Enterprise

By Michael Barrier

Blest Be The Tapes That Bind

When Kevin Parker was 13 years old, he started hand-binding books. "My family were all artists, and they had a lot of art friends," he says, and it was for those friends that he bound small editions—perhaps 25 copies—of portfolios of prints, books of poetry, and the like, in leather and fine book cloth.



Parker is 34 now, and binding is still a very large part of his life—but not in the way you might expect. When we visited him recently at his workplace, we didn't find him at an artisan's bench, binding limited editions in perfectly tanned cowhide. He is now the head of his own 60-employee company, Powis Parker, which occupies a building in an industrial district in Berkeley, Calif.

Parker has been in business for himself since 1980—that is, since he was 18—and Powis Parker, as a company, has been around since 1982. (Powis is his middle name; he adopted it for the company only because "it had a nice ring to it," he says, but it surely didn't hurt if some potential customers thought that "Powis" was a silent and considerably older partner.)

Powis Parker makes an elegant little table-top binding machine called the Fastback. Insert a document of as many as 350 sheets into the Fastback and it wraps a heated tape over the spine of the document. A thermal plastic on the center of the tape seals the pages together along the spine, and another adhesive on the edges of the tape grips the document's covers.

The result is both handsomely and securely bound; as we saw for ourselves, a freshly bound document won't come apart even when you pick it up by just one of its pages. The Fastback sells for about $3,500 (for the larger model) or $1,900 (for the smaller model, which can bind as many as 125 sheets). Its purchasers, as you might imagine, include a lot of copy shops and large corporations.

The seed for his business was planted, Parker says, by his high-school mathematics teacher, who also sold private-label office supplies. The teacher suggested to Parker that he look into making tapes for a table-top binding machine manufactured by a big office-supplies company; that company's own tapes evidently left something to be desired.

Parker quickly learned that buying a machine to make such tapes would cost many thousands of dollars, so he set out to build a machine of his own. He went to junkyards and picked up such unlikely raw materials as a big industrial coffeepot.

Building the machine wound up costing him a couple of years and perhaps $5,000; it filled the basement of his parents' Berkeley house.

He began selling the tapes in 1982, but the market was tiny, about $100,000 in sales a year. To really make a go of his new business, Parker was going to have to come up with a successful binding machine; then he could sell lots of tapes, as surely as blade sales follow the introduction of a successful razor.

For several years he and "some bright friends" chewed at the problems involved in designing a desktop binder. He had been working almost nonstop for months when some other friends "convinced me to come out and windsurf with them," he recalls. While he was sitting on the beach he suddenly thought of a solution, and within a month he had built a prototype machine that successfully bound documents.

Parker's insight was that the binding tape should be applied first to one side of a document, and then to the other, instead of to both sides at once, as the existing machine did. That way, Parker says, a binding tape could be applied to a document of as few as four or five sheets—which was difficult or impossible with the existing technology.

Growth has been "pretty steady," Parker says, although he won't say what his revenues are or how many machines are in use. Late last year, though, the company moved into a Berkeley building three times larger than the 15,000 square feet it had been occupying in neighboring Oakland.

Powis Parker's growth has deprived Parker of one small pleasure: He no longer binds books himself. "I do miss that a bit," he says. "There's something very satisfying about doing a handcraft. You see something at the end of the day that you can hold. Designing a machine is like that, too, but it's not at the end of the day, it's at the end of four years."

For more information about the Fastback, call 1-800-321-BIND (1-800-321-2463).

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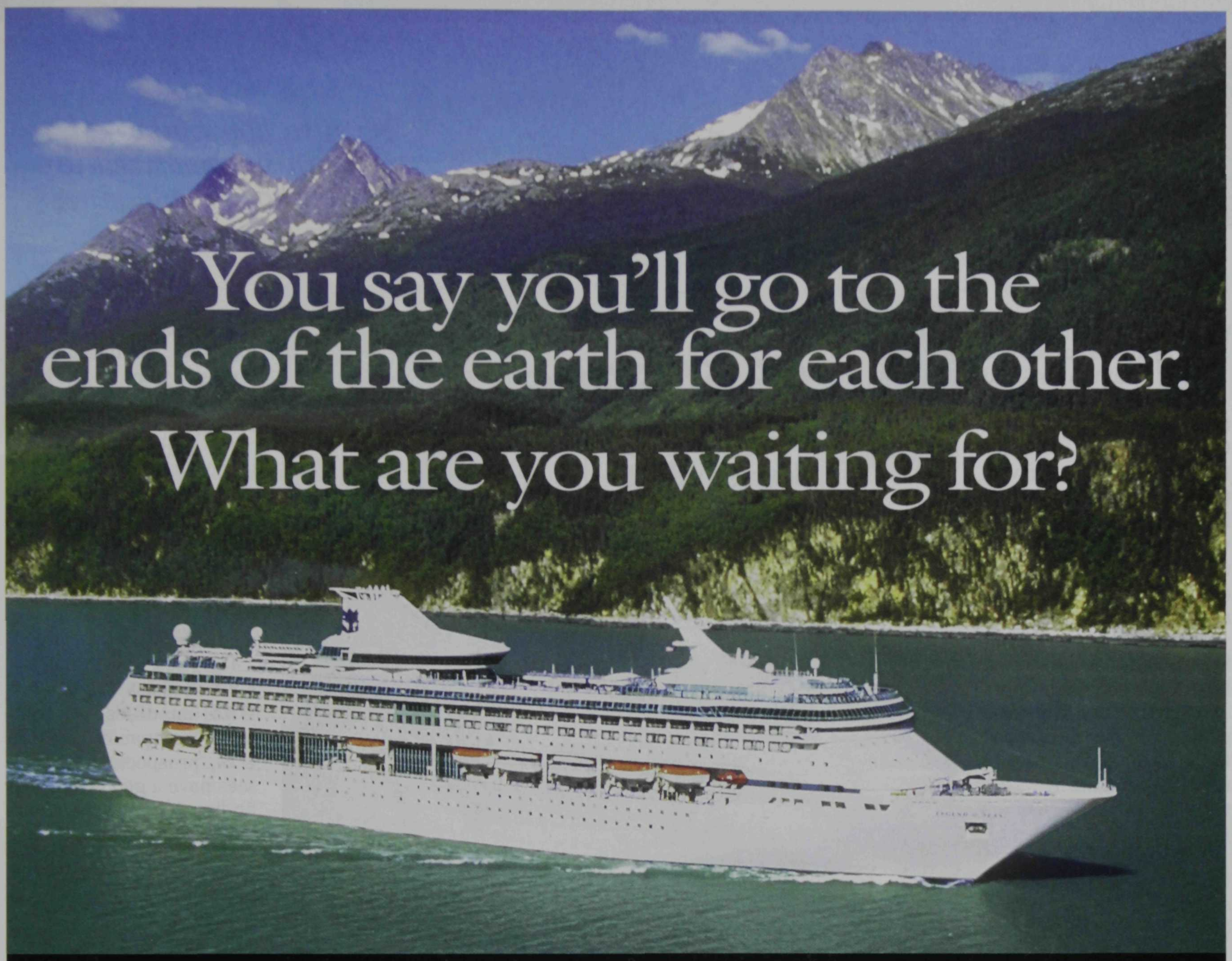
A couple of years ago in our Making It section, we ran a piece about Li, the proprietor of Eagle One Industries, in Carlsbad, Calif. Eagle One makes products used in "car detailing"—waxes, wheel cleaners, spot removers—and Li himself is a car enthusiast of the first magnitude.

As an aid to Li's fellow car buffs, Eagle One has published the *Directory of American Automotive Museums & Displays.* Stick this directory in your glove compartment, and you'll be reminded, when you're in Sand City, Calif., that Reggie Jackson's Performance Cars & Baseball Memorabilia museum is close at hand; and when you have an afternoon to kill in Medina, Ohio, you'll know you can spend it at the Portholes into the Past Museum.

To get a copy of the directory, send a stamped, self-addressed envelope (legal-sized) to Eagle One Industries, 5927 Landau Court, Carlsbad, Calif. 92008. NB



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Franchising SPECIAL GUIDE

Choosing A Franchise

Be sure you know everything you need to know about the business you're buying.

By Roberta Maynard

Wayne Flesjer found out too late that the fast-food business wasn't the best choice for him. Considering his cost for the submarine-sandwich franchise he owns—a total investment of $135,000, which included an $18,000 upfront fee to the franchisor—it was an expensive lesson.

The less-than-perfect fit became clear to him when he got to know the owners of a sign-making franchise next door. He discovered that they were making more money than he was—without working evenings and weekends, as he was.

Flesjer realized then that the sub shop's hours didn't suit him, and neither did the type of interaction with customers. With fast food, he says, people are fairly demanding; they come in and want something fast.

With the sign business, he says, the relationship is altogether different. "You can take a little more time with customers. They need you, and you're viewed as an expert."

Flesjer made a mistake that's common among prospective franchisees—buying without really knowing what the day-to-day business is about. Often, prospects simply don't get beyond the allure of the successful name or concept—or the mistaken notion that a franchise brings instant success.

"People go into a sub shop at the noon hour and see the cash register opening and closing," says Calvin B. Haskell Jr., president of Franchise Solutions, Inc., a consulting firm in Portsmouth, N.H. "What they don't see is having to get there at 4 a.m. to bake bread."

The best way for prospective franchisees to find out those kinds of things is to go to work in a franchise store, Haskell says.

That's exactly what Laura Dressler did; she is Flesjer's new business partner. This past summer the two bought an American Fastsigns franchise in Shoreline, Wash., 40 miles from the sub franchise Flesjer still owns in Tacoma. Dressler had seen her friend Flesjer go through the franchise-buying experience the first time. Before making the commitment to buy, she went to work for several months in a Fastsigns store.

"I highly recommend it," she says of testing the waters by working temporarily in a franchise. "It gives you a chance to see if it's a good match. And if you buy the franchise, it gives you a leg up on operating your own store."



PHOTO: ©PHILIP AMDAL

Before partners *Wayne Flesjer and Laura Dressler opened their American Fastsigns franchise, she tested the waters by working in another Fastsigns store for several months.*

A Varied Menu

With hundreds of franchise companies in the U.S., prospective franchisees have a good chance of finding a fit for their particular interests, skills, and goals.

Opportunities are available in such diverse areas as check-cashing and maid services, computer and language schools, employment and tax services, hair salons, real-estate sales, printing services, home repair, car rental, and, of course, fast food, which accounts for about 40 percent of the goods sold by franchised businesses.

Personality and personal preferences come into play in making the best choice.

Selling a product or service that is healthful was important to Carolyn and John Gehl and their son Andrew, who together purchased a Smoothie King franchise in the Atlanta area this year. Smoothie King, based in Kenner, La., sells a low-fat, fruit-based drink as well as vitamin supplements and lowfat snacks.

The Gehls also wanted a franchise that had room for expansion in their area; the one they chose will enable them to open five stores over the next five years.

For Fred Sommer, it was important that his business not be tied to a specific

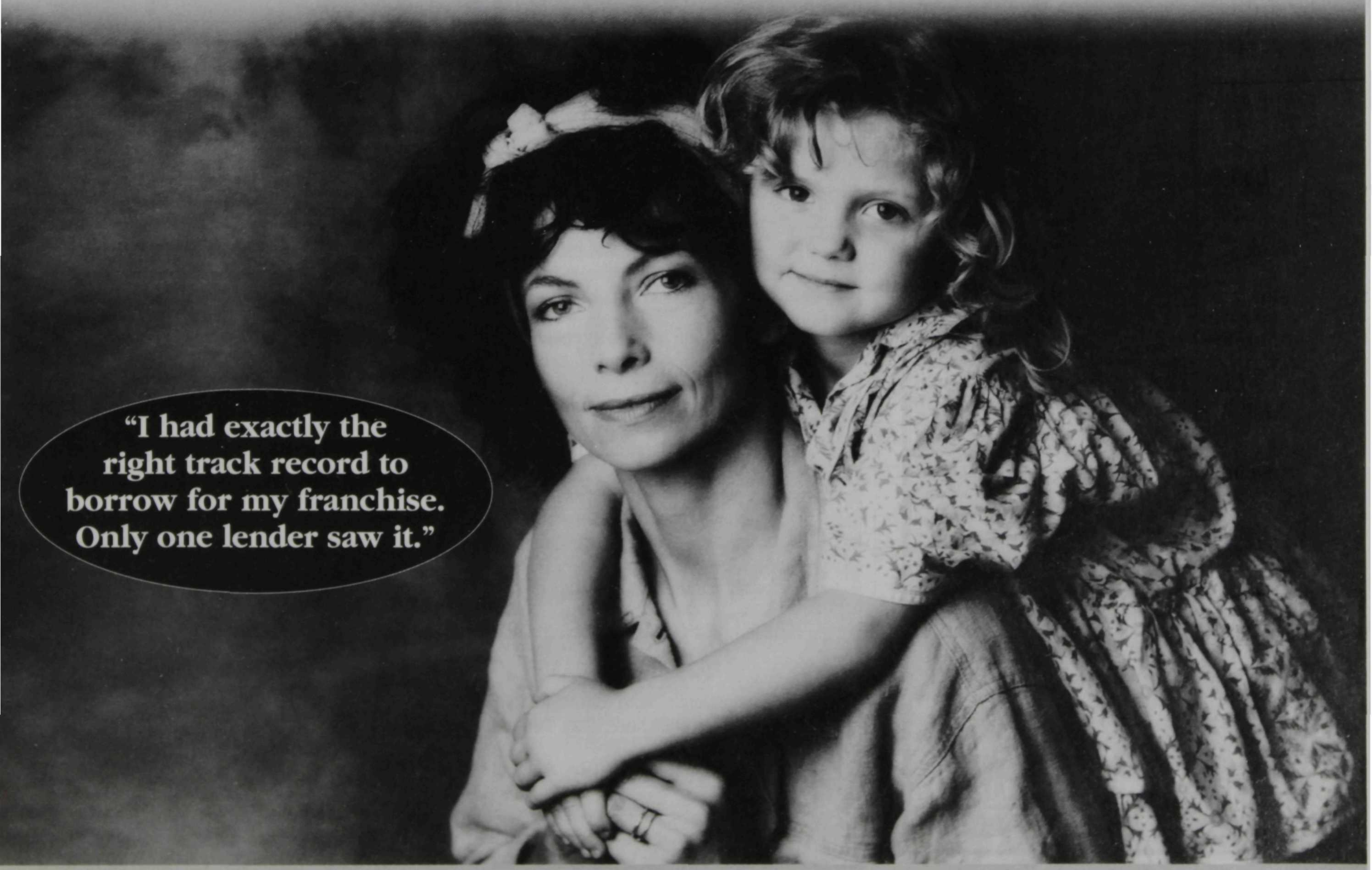


"Until a few months ago I was a specialty foods marketing VP with an MBA, a 401K and no problems. Out of the blue came downsizing, and I was on my own. This time, I decided to start my own specialty food franchise. But my bank discouraged me when I tried to borrow money - and so did other lending institutions. Then my franchisor recommended AT&T Capital Corporation - and everything changed. They appreciated that someone with my experience was a pretty good risk, and set me up with a government guaranteed SBA loan. In fact, I got word that my $500,000 request was 'do-able' in a couple of days, with terms and interest I could live with. It covered everything from my building to working capital to cups & saucers.

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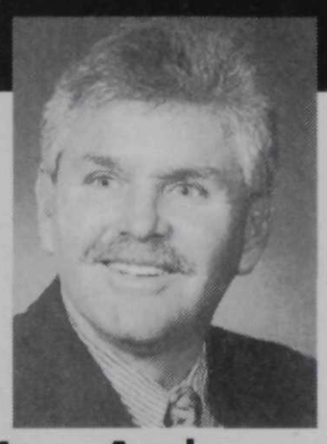
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site, and that was what attracted him to Filterfresh Corp., a gourmet-coffee service in Westwood, Mass. After years in sales, he was accustomed to the freedom of having an entire region to himself, and he wanted to retain that, even though it meant relocating from New Jersey to North Carolina to get a territory.

Jerry Houser of Ames, Iowa, wanted a home-based business primarily because he had limited capital. To find the right company, he researched the possibilities for seven months. From books on franchise opportunities, he eventually chose about 12 business possibilities that were in his price range.

After reviewing materials he received from those companies, he whittled his list to three and listed the positives and negatives of each. He was leaning toward The Sports Section, a Norcross, Ga., company that photographs youth sports teams. The franchise encompasses three elements that Houser likes: children, sports, and photography.

To determine the market for those services in his area, he called both prospective and existing customers of similar photo services. Though he found a lot of competition, he wasn't deterred by it. "Everyone I talked to mentioned four or five reasons why they weren't satisfied with their current provider. Before I even purchased [the franchise], I had a list of 20 strong prospects."

Houser bought the franchise in the spring of 1995; his business is profitable, and he's happy with it.

A Downward Spiral

A former franchisee we'll call Mr. Smith can't make the same claim. Watching TV late one night, he saw an infomercial for a franchise that struck him as a great concept. It took him about a month to make the decision to buy.

He didn't investigate other franchises, and he talked with only a handful of franchisees. He did no market research. To get the $100,000 required to start the business, he took out a second mortgage on his home. He quit his job. The day he signed the agreement, the franchisor collected a fee of $27,500.

From the beginning, Smith says, the franchisor provided no support. The com-

Is This The Right Franchise For Me?

Taking the emotion out of the franchise-buying process is the goal of this self-test developed by Franchise Solutions, Inc., a consulting firm in Portsmouth, N.H. Circle the number that reflects your degree of certainty or positive feelings for each of the 12 statements; 1 is low, 5 is high. The highest possible score is 60. A score of 45 or below means either that the opportunity is unsuitable or that you need to do more research on the franchise you are considering.

I would really enjoy being in this kind of business.	1 2 3 4 5
This franchise will meet or exceed my income goals.	1 2 3 4 5
My people-handling skills are sufficient for this franchise.	1 2 3 4 5
I understand fully my greatest challenge in this franchise, and I feel comfortable with my abilities.	1 2 3 4 5
I have met with the company management and feel compatible.	1 2 3 4 5
I understand the risks with this business and am prepared to accept them.	1 2 3 4 5
I have researched the competition in my area and feel comfortable with the potential market.	1 2 3 4 5
My family and friends think this is a great opportunity for me.	1 2 3 4 5
I have had an adviser review the disclosure documents and franchise agreement.	1 2 3 4 5
I have contacted a representative number of the existing franchisees; they were overwhelmingly positive.	1 2 3 4 5
I have researched this industry and feel comfortable about the long-term growth potential.	1 2 3 4 5
My background and experience make this an ideal choice.	1 2 3 4 5

Franchising SPECIAL GUIDE

pany insisted that he use its recommended contractor to outfit the store, which he says cost him much more than was necessary. On the store's opening day, someone from the company was supposed to be there to help, but no one came.

Smith advertised his services but couldn't generate traffic. His purchase of a franchise included the right to use the franchise trademark, but for him it proved to be of little value. He couldn't benefit from a known name because his was the franchisor's first store in his area. His business lagged, and within a year, foreclosure proceedings were started on his home.

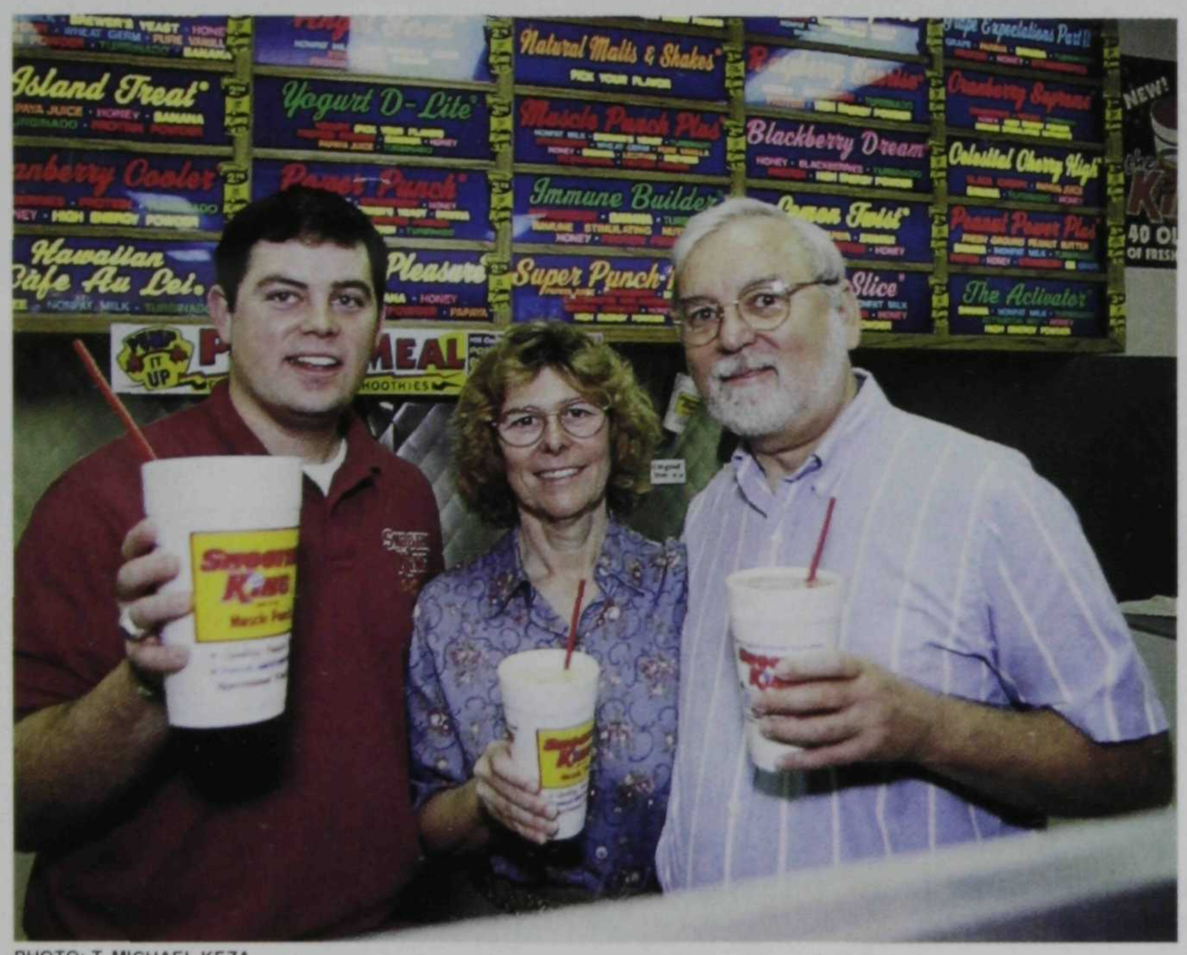


PHOTO: T. MICHAEL KEZA

Envisioning growth, *Andrew Gehl and his parents, Carolyn and John, opened a Smoothie King store and plan to start five more.*

"I knew nothing about running a business, and I depended on the franchisor to help me," he says. "I didn't once get a phone call offering help or pointing out how my store was doing compared to other ones."

Things had already started to collapse for Smith when another store of the same franchise opened a few miles away. He struggled for another year. Unable to find a buyer, he sold his inventory to other franchisees, and one day, in debt to several vendors, he locked the door and left.

"I can't blame everything on the franchisor," he says six years later. "I have to put some of the blame on me. The biggest mistake I made was not going into it with enough operating capital. There are a lot of things I should have done differently. But if I had had support, maybe I wouldn't have made those mistakes."

Checking Out The Franchisor

Buying a franchise is much like buying any other business: It requires finding capital, choosing a site, hiring employees, and buying equipment. The process also includes an element not found in other businesses—the franchisor, including its financial health, potential for success, and methods of interacting with its franchisees.

Among the best sources of information about a franchise company are its franchisees. Consultant Haskell recommends that prospective franchisees pose questions to a number of franchise owners—in some instances, as many as 20 to 50 percent of them.

These questions, he says, are among the most crucial:

- Is the company always available to answer your questions and help you?
- What kind of ongoing training and development are you receiving? What kind of marketing assistance?
- Is your business generating profits? How long did it take?
- How do you spend most of your time?
- Which of your expectations has ownership of this franchise failed to meet?
- Would you buy this franchise again?

Former franchisee Smith agrees with the content of the list but says it's important to ask the same questions many different ways and to press franchisees for honest answers. "When I was asked by prospects—especially in the beginning—I always said I was doing great," he says. Another tip: Call franchisees recommended by the company, but call others as well.

The same questions about support and training should be put to the franchise company, along with a few others: What percentage of your franchises changed ownership last year? How many did your company terminate? What were the reasons?

In many franchise systems, franchisees form their own groups to handle grievances and other matters pertaining to relations with the franchisor. Ask franchisees whether such a group exists; if it does, contact that group as well.

The Legal Requirements

An equally valuable source of information is the set of documents provided by the

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Franchise Resources

Here are some of the many resources that can be helpful in deciding which franchise to buy:

Publications

Franchise Opportunities Handbook: A Complete Guide for People Who Want to Start Their Own Franchise, by LaVerne L. Ludden, published by JIST Works, Inc.; $16.95. It lists 1,500 franchise companies. Call 1-800-JIST-USA (1-800-547-8872) to order.

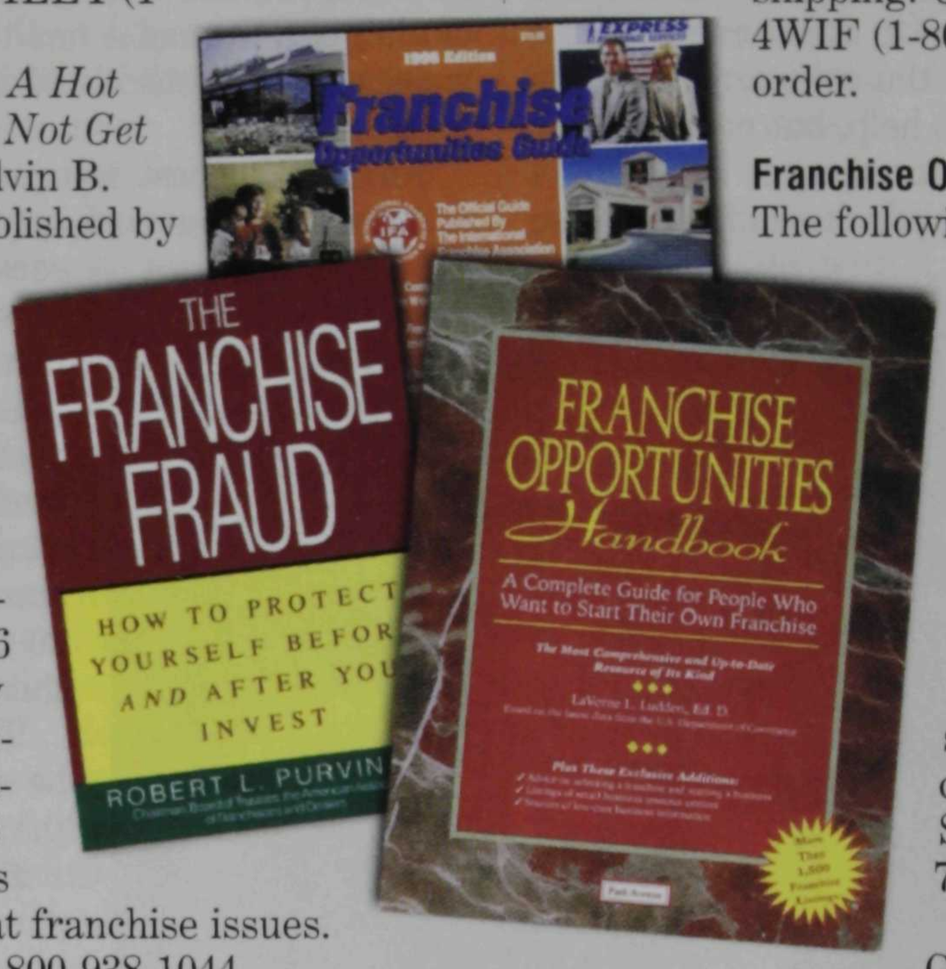
Franchise Opportunities Guide: 1996 Edition, a listing of franchise companies, published by the International Franchise Association; $15. To order, call 1-800-543-1038.

Guide to Understanding an Offering Circular and Negotiating a Franchise Agreement, by attorney Keith J. Kanouse, published by Professional Press; $21.95, plus $3 for shipping. To order, call (407) 392-0001.

The Franchise Fraud: How to Protect Yourself Before And After You Invest, by Robert L. Purvin, Jr., published by John Wiley & Sons; $27.95. To order, call 1-800-CALL-WILEY (1-800-225-5945).

How To Buy A Hot Franchise and Not Get Burned, by Calvin B. Haskell Jr., published by Franchise Solutions, Inc.; $19.95. To order, call 1-800-898-4455.

Continental Franchise Review, a newsletter published 26 times a year by Sparks Publishing and Reporting Corp.; $195 per year. Offers an inside look at franchise issues. To order, call 1-800-938-1044.



Audiotapes

"Buying a Franchise: How to Make the Right Choice" is an audio seminar from the Chicago-based organization Women in Franchising. The package includes two cassette tapes and a 37-page companion workbook. The cost is $49.95, plus $5 for shipping. Call 1-800-222-4WIF (1-800-222-4943) to order.

Franchise Organizations

The following trade groups offer memberships, seminars, publications, and various other resources:

■ American Franchisee Association, Chicago; 1-800-334-4232.

■ American Association of Franchisees & Dealers, San Diego; 1-800-733-9858.

■ International Gay & Lesbian Franchise Association, Scottsdale, Ariz; (602) 949-7848.

■ International Franchise Association, Washington, D.C.; represents franchisors as well as franchisees; (202) 628-8000.

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franchise company itself. Since 1979, under the Federal Trade Commission's franchise rule, franchisors have been required to make certain disclosures to prospective franchisees in the form of an offering circular.

This document must include information on 20 topics. They include the litigation and bankruptcy history of the franchise company, the identities of its directors and executive officers, financial information about the company, identification of any products that the franchisee is obligated to buy, and from whom such purchases are to be made.

The circular must also detail the initial investment required of the franchisee, recurring payments to be made, and conditions that would affect renewal, termination, or sale of the franchise.

The offering circular must be given to a prospective franchisee on or before the first personal meeting with the franchisor to discuss the purchase of the franchise. To give franchisees a chance to think over their buying decision, 10 days must pass before the franchisee signs a franchise agreement (the actual contract) or the franchisor receives any money from the franchisee.

A number of states have laws relating to the offer or sale of a franchise. Twelve require franchisors to submit their documents to state agencies for review; seven others simply require that a form detailing the offering be filed with the state.

Neither the FTC nor the individual states regulate the relationship between franchisees and franchisors; nor do they endorse or approve a franchise offering. This is why franchise experts recommend that a franchisee attorney and an account-



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To start a home business *with little capital, Jerry Houser chose The Sports Section, a franchise that photographs youth sports teams.*

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ant review the offering circular for the prospective franchisee.

"Most [prospective franchisees] do not read it, and many don't have someone read it *for* them," says Keith J. Kanouse, an attorney in Boca Raton, Fla., who has 22 years of experience in franchise matters.

The offering circular, which contains the agreement, is about 100 pages long. "Considering the investment at stake, not spending the $1,000 to $2,000 to have the circular reviewed and negotiated is penny-wise and pound-foolish," says Kanouse.

"The ability to negotiate the provisions of an agreement is in direct inverse relationship to the size of the franchisor," he says. "The largest ones have a 'take it or leave it' attitude, whereas the smaller, newer ones—who need franchisees—leave more room to negotiate." (For more on trends in franchisee protection, see the box on Page 63.)

Lawyers and accountants who have franchise experience can be found through state bar associations and professional accounting groups as well as the American Franchisee Association, the International Franchise Association, and the American Association of Franchisees & Dealers (AAFD). The AAFD's annual membership fee of $100 for prospective franchisees includes a free legal consultation. (For more information, see "Franchise Resources," Page 60.)

"I like to see a [franchise] company that has company-owned units. That tells me that there's money to be made at the bottom level. It also means that the company has its finger on the pulse of the marketplace."

—Franchising Attorney Keith Kanouse

What Type Of Company Is Best?

Is it better to join a large franchise system or a small one? A well-established company or a start-up?

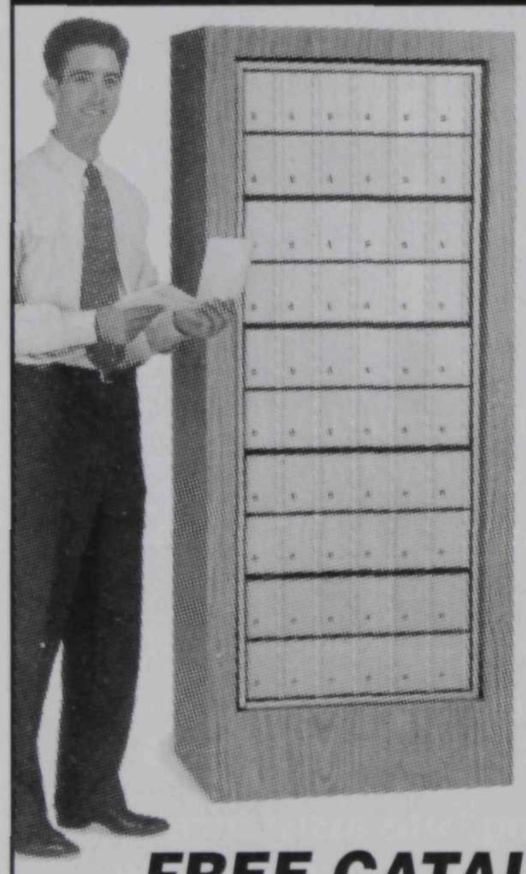
In general, a larger, more mature company can offer franchisees a stronger training program and better support and marketing assistance. Larger systems also have greater name recognition, which is an immediate benefit for a new franchisee.

For the same reasons, though, such a franchise is likely to cost more, and the choice of location will be more limited because the franchisor already has a large network in place. In addition, buying a franchise from any of the very largest companies can take longer—sometimes years—because they usually have long waiting lists.

On the other hand, at smaller, newer companies struggling to open several stores, the support structures may be less developed than they are at larger companies. A company new to the franchising process can pose a greater risk to a franchisee because neither the viability of the concept nor the company's management has been tested.

At the same time, smaller franchisors have lower franchise costs and offer the chance to get into a good business when there are the greatest opportunities for growth. For successful concepts, the price will go up: The franchise fee for Chicago-based Big Apple Bagels, for example, has increased 25 percent since 1993, when the company was founded and started its franchising operation.

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Franchising SPECIAL GUIDE

The Key Indicators

Large or small, a measure of how well the franchise is doing, says consultant Haskell, is the company's financial statement. "You want to see strong royalties," he says. "That means the franchisees are doing well."

Another indicator is the number of company-owned units. Says attorney Kanouse: "I like to see a company that has company-owned units. That tells me that there's money to be made at the bottom level. It also means that the company has its finger on the pulse of the marketplace, and that's good for franchisees."

Consider also how the franchisor makes its money. Most charge franchisees royalties, generally 5 to 7 percent of gross sales. But many generate revenue by requiring franchisees to buy core products or services from them exclusively.

Flexibility of operations is an important concern for many who have dreamed of owning their own business. Though the basic premise of franchising is to maintain a uniform system, franchise companies do offer varying levels of flexibility for franchise owners in operating their businesses.

That was a factor that led Don Vasi to buy a Precision Tune franchise two years ago in Rockford, Ill. "I can set my own prices, do my own special advertising, and market certain products, and if I can find products for less, I can buy them," he says. Not all franchisees can say the same.

Vasi, who examined several franchise opportunities, visited Precision Tune's headquarters, in Leesburg, Va., to determine whether he and the company personnel could work well together. "After you make the decision to buy the franchise," he says, "you still have to have a good fit."

How Do Franchisors Award Franchises?

Financial wherewithal to buy the franchise and pay start-up costs is the primary consideration. A new franchisee's total investment, which typically includes a one-time franchise fee to the company, varies with the type and success of the company.

The total investment for a McDonald's franchise ranges from $407,000 to $646,000, according to the company, while motel and hotel franchises run into the millions. At the other end of the spectrum are businesses that don't require extensive facilities or equipment. For example, The Sports Section, a home-based business, can be purchased for a fee of $9,900 for a territory with a population of 250,000, or up to $29,500 for an area with as many as 750,000 people.

A franchise company's stage of growth also determines the kind of franchisees it seeks. "When you're trying to build a company, before you have a track record, you look for people who are hungry [to succeed] and grow," says Tom Ryan, director of franchise development for Big Apple Bagels.

Now, the three-year-old franchise, with 130 stores open and 35 in development, is in a different mode. "We're getting more toward finding multiple-unit operators with lots of experience," says Ryan. "Many of our franchisees are now coming back to do a second, third, fourth store."

Tempering Excitement

When the time comes to decide on a franchise, excitement about becoming an entrepreneur—otherwise an asset—can be a prospect's undoing.

"You get excited and motivated to go ahead with it," says franchisee Houser. "I had to fight the temptation to make a decision to buy" before completing the necessary research, he says.

Houser offers this advice: "Make sure you're doing what's right for you. A rational approach is the best medicine for a happy ending." NB

Franchisee Vs. Franchisor: Balancing The Scales

Despite the success of franchising as a way to sell goods and services, conflicts seem to be inherent in the franchisor-franchisee relationship. On the front burner right now are two primary efforts to give franchisees greater clout in disagreements with their franchisors and a greater say in how they run their businesses.

The American Franchisee Association (AFA), a trade association in Chicago that represents nearly 7,000 franchisees, has drafted a model law that would establish basic rules of practice for franchise relationships.

Eric H. Karp, chairman of the AFA's Model Responsible Franchise Practices Act Committee, says the committee hopes the measure will be used as a model for the large number of franchise bills introduced in state legislatures each year. Karp is a franchise attorney with the Boston firm of Witmer Karp Warner & Thuotte.

The AFA also plans to push for introduction of a bill in the coming session of Congress. A hot issue expected to be addressed in such a bill is the requirement by many companies that franchisees buy products only from the franchisor or from franchisor-connected sources. The AFA proposes that such requirements be prohibited.

The AFA's proposal also would establish a mandatory 30-day period to allow franchisees to make payments current. Such a grace period is common in leases and lending arrangements.

Franchisee delinquencies often are tied to payment disputes, Karp says. It is not uncommon for franchisors to rule out any grace period, he says, in order to force a franchisee to forfeit the business.

Another provision in the AFA's proposal deals with the handling of renewals and transfers of franchise agreements. Nearly all franchisors require franchisees who are renewing to sign whatever contract the company is using at the time of the renewal, which is not necessarily the one that the franchisee originally agreed to, according to Karp.

The AFA's proposal would allow franchisors to use an agreement that took into account changes in the marketplace but that did not fundamentally change the original benefits to either the franchisee or the franchisor.

Separately, the American Association of Franchisees & Dealers (AAFD), a 6,000-member group based in San Diego, proposes a self-regulatory approach to assuring fairness in franchise relationships.

The AAFD's Fair Franchising Standards, released in partial form this past summer for immediate use, are designed to be helpful in determining franchisor accreditation as a guide for prospective purchasers of franchises. By August, a handful of franchisors had met the criteria and had received the AAFD's Fair Franchising Seal.

Among the requirements for accreditation: The franchisor must agree to recognize an independent association or collective-bargaining unit of its franchisees and must be using a franchise agreement that has been agreed to by the owners of at least 75 percent of the franchised units in the system.

Though franchisee groups are forming in increasing numbers, many franchisors actively discourage them, according to Karp. He says 11 states have laws protecting the rights of free association for franchisees.

Family Business

Studies uncover investment potential; when a brother becomes a burden.

OBSERVATIONS

Taking Stock Of Family-Owned Firms

By Sharon Nelton



PHOTO: T. MICHAEL KEZA

Rarely do we think of family businesses when we think of the stock market. However, two new studies suggest that among publicly held companies, those owned or controlled by individual families are top performers.

There are now two indexes tracking publicly held family firms—the Family Business Stock Index (FBSI), which follows more than 200 of the largest family-controlled companies nationwide, and the Loyola University Chicago Family Firm Stock Index (LUCFFSI), which tracks 38 publicly traded, family-controlled firms headquartered in the Chicago area. The FBSI was developed by NetMarquee Online Services Inc., of Needham, Mass., and Robert Kleiman, an associate professor of finance at Oakland University, in Rochester, Mich.

A study of the 20-year performance of FBSI companies showed average annual returns of 16.6 percent, compared with 14 percent for the Standard & Poor's 500-stock index. (During some shorter time periods, however, the FBSI lagged the S&P—for example, for the year that ended with the first quarter of 1996, the FBSI showed a total return of 18.20 percent, compared with 31.98 percent for the S&P.)

Among the FBSI's top-performing companies over the 20-year period were: Berkshire Hathaway, with an average annual return of 38.1 percent; Manor Care, Inc., with 34.5 percent; Comcast Corp., 32.6 percent; Mirage Resorts Inc., 30.7 percent; and Tyson Foods Inc., with 30.2 percent.

The index is updated daily by Rational Investors, Inc., a Cambridge, Mass., company that develops investment-management software for use on the Internet.

The second study compared the performance of the LUCFFSI with the Dow Jones industrial average and Crain's Chicago Stock Index from Sept. 28, 1990, to July 28, 1995. The LUCFFSI increased 94 percent during that period, compared with 92 percent for the Dow and 65 percent for Crain's.

Among the companies in the Chicago index are Archer-Daniels-Midland, Motorola Inc., and Tootsie Roll Industries. The research was conducted by Daniel L. McConaughy, an assistant professor in the Graduate School of Business at Rosary College, in River Forest, Ill.; Drew Mendoza, founding director of the Family Business Center at Loyola University Chicago; and Chandra Mishra, an assistant professor of finance at Loyola.

Why do the family-controlled businesses do so well? Among the reasons the researchers suggest are a longer-term managerial orientation and a constancy of values that might not exist in other companies.

"The families obviously have capital tied up in the companies—vs. being absentee owners—and therefore work aggressively to maximize the stock value as it benefits them," says Oakland University's Kleiman.

The Chicago researchers caution that "rigorous performance assessment of family-controlled firms is at an elementary stage." But they point out that an index of family-controlled companies can serve as a benchmark by which other family businesses can measure their own performances, and that such an index provides "the best way to judge the performance of portfolio managers who follow a strategy of investing in family controlled firms."

You can track the FBSI at *http://www.nmq.com*, NetMarquee's World Wide Web site; or, for more information, call David E. Gumpert, president of NetMarquee, at (617) 433-5890. For more information on the LUCFFSI, call Drew Mendoza at (312) 915-6490. A copy of the summer 1996 issue of *Family Business Review*, in which the Chicago study is reported, costs $21 plus postage. To order the issue, call the publisher, the Family Firm Institute, at (617) 738-1591.

"We see family companies as a real market opportunity for investors," says Kleiman. ■

MARK YOUR CALENDAR

Oct. 3-4, Denver

"Strategies for Generations of Success" is a conference that looks at topics such as buy-sell agreements and financing transitions in family business. Call Sonya Stromberg at CLE International at (303) 377-6600.

Oct. 17, Boston

"Introduction to ESOPs" is a workshop on using an employee stock ownership plan to provide for business continuity. To be repeated in 12 other cities. Call Corey Rosen at the National Center for Employee Ownership at (510) 272-9461.

Oct. 23, New Haven, Conn.

"Seven Steps to Passing the Baton" is a conference on effective preparation for the succession process. It features Paul I. Karofsky, director of the Northeastern University Center for Family Business. Call the University of New Haven Center for Family Business at (203) 932-7421.

Oct. 31, Wilmington, Del.

"Answers to Commonly Asked Questions" will look at issues such as leadership and succession. Call Jill Lock at Simon, Master & Sidlow at (302) 652-3480.

Nov. 3-8, Marco Island, Fla.

"The Annual Family Business Retreat" features educational and team-building sessions in a resort environment. Call the *Family Business Journal* in Cleveland at (216) 591-9290.

Nov. 12, Toledo, Ohio

"Straight Talk About Money" is a forum featuring Paul and Pat Frishkoff, who are nationally known family-business consultants and educators. Call Debbe Skutch at the University of Toledo Center for Family Business at (419) 530-4058.

Nov. 13-15, Orlando, Fla.

"Managing Succession Without Conflict" features Léon A. Danco, a pioneering family-business consultant, and John L. Ward, a professor of private enterprise at Loyola University Chicago. Call Ross Nager of the Arthur Andersen Center for Family Business at 1-800-924-2770.

How To Get Listed

This list of family-business events features national and regional programs that are open to the public. Send your item three months in advance to Family Business, Nation's Business, *1615 H Street, N.W., Washington, D.C. 20062-2000.*

FAMILY BUSINESS

Case Study: A Brother Falls On Hard Times

Brad is 36 years old, and, says his sister, Cindy, "as far back as I can remember, our parents have been taking care of him." She acknowledges that it's understandable for parents to want to help their son during hard times.

"Unfortunately," she says, "Brad's hard times keep going and going. And no matter how much he is given, it's never enough."

Cindy, 34, and her brother Vince, 39, along with their parents, Mary and Frank, handle the day-to-day management of their family business, a chain of Italian restaurants. Vince is the operations manager, and Cindy is vice president of marketing. They both worked in the business when they were in high school, and there was never any question that they would continue to work in the company after college.

Brad, however, preferred to work for a large computer-manufacturing firm. He lost that job when the company downsized several years ago, and while he pursued a new opportunity, Mary and Frank began paying him a monthly stipend until, they said, he could get "back on his feet."

"Brad is selling real estate now," says Cindy, "but the commissions do not cover his credit cards, the car payment, nor the car-phone charges." Mary and Frank want Brad to be given a job within the family business, but Vince and Cindy are concerned that their parents are shifting the responsibility for Brad's upkeep to them.

Cindy asks: "Are Vince and I wrong to think that Brad's 'special needs' are a serious problem for the family and the business?"

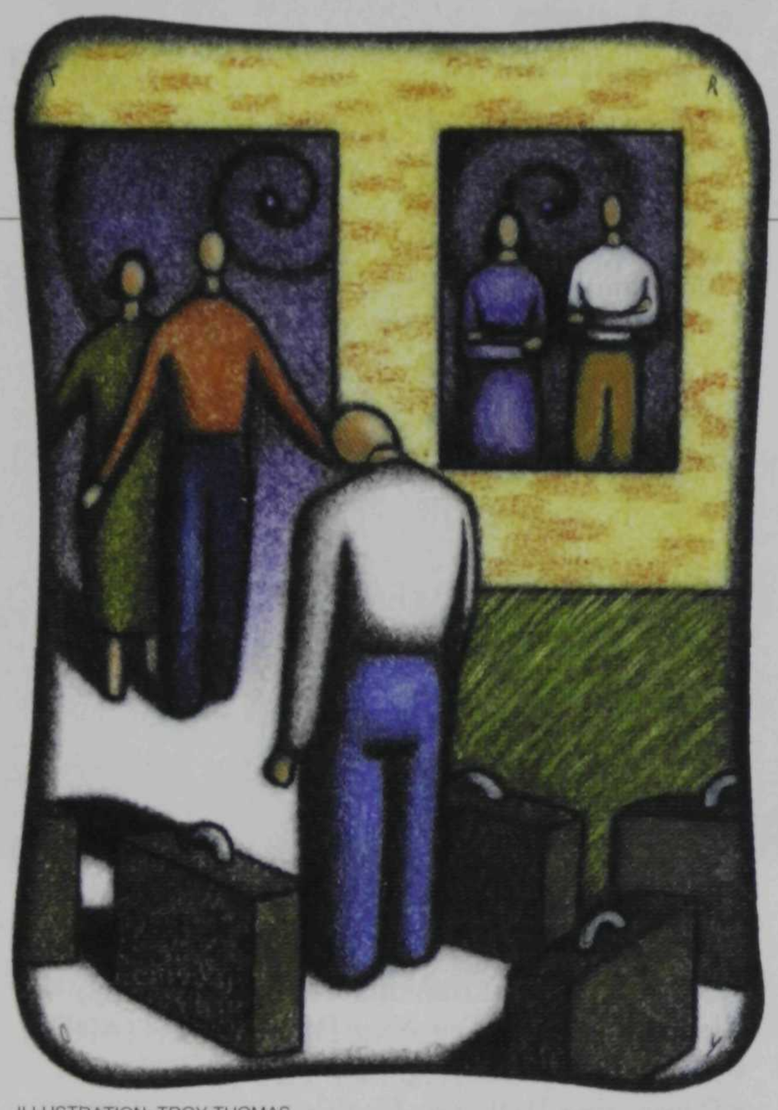


ILLUSTRATION: TROY THOMAS

Response 1

Stop Coming To The Rescue

As Cindy and Vince suspect, their parents are asking them to take over the role of parenting Brad by bringing him into the family's restaurant business. This will do no service to Brad or the business. Brad will continue to view himself as unable to be a "real adult," and the business may suffer if it has to support the ineptitude of a family member.

On the other hand, Mary and Frank are not likely to give up their need to take care of Brad. To help them make the adjustment, it will be important that they have a way to care for Brad at the same time that he is given an opportunity to "find himself" and to at last achieve his independence.



PHOTO: ©PATRICIA CORDELL

Kathy J. Marshack, a Vancouver, Wash., psychologist and consultant to families in business.

One option is to offer Brad a position on the advisory board of the business. In this nonpaid position, he could learn the fundamentals of the business without having any voting privileges. If Brad is interested in joining the business as a management team member at a later date, he could be required to work within a training program so that he would develop the knowledge and skills he needs.

Protecting and nurturing children is important, but preparing them for independent living is the ultimate goal. Brad made a bid for independence by leaving home rather than joining the business. But when he failed, his parents rushed to his rescue.

Brad needs some guidance toward developing a real adult identity. Mary and Frank need help seeing the boundary between parenting and running a competitive business. By blurring the two, they may be doing a disservice to both.

Response 2

Estate Planning May Be The Answer

The problem at hand is what to do with Brad. Since Cindy and Vince have worked for 20 years helping to build the business, there could be unnecessary animosity if Brad is given a position in the company.

If there are not any ready-made opportunities for Brad in the business, he may have to create his own. Perhaps he can apply what he learned in the computer industry or in real estate to the restaurant business. If he gained the proper knowledge, and if it is acceptable to Cindy and Vince, he could work his way into a functional position.



PHOTO: ©RICK FRIEDMAN–BLACK STAR

David P. Abrams, a CPA and principal of Abrams, Little-Gill, Tishman & Witty, a public-accounting firm in Chestnut Hill, Mass.

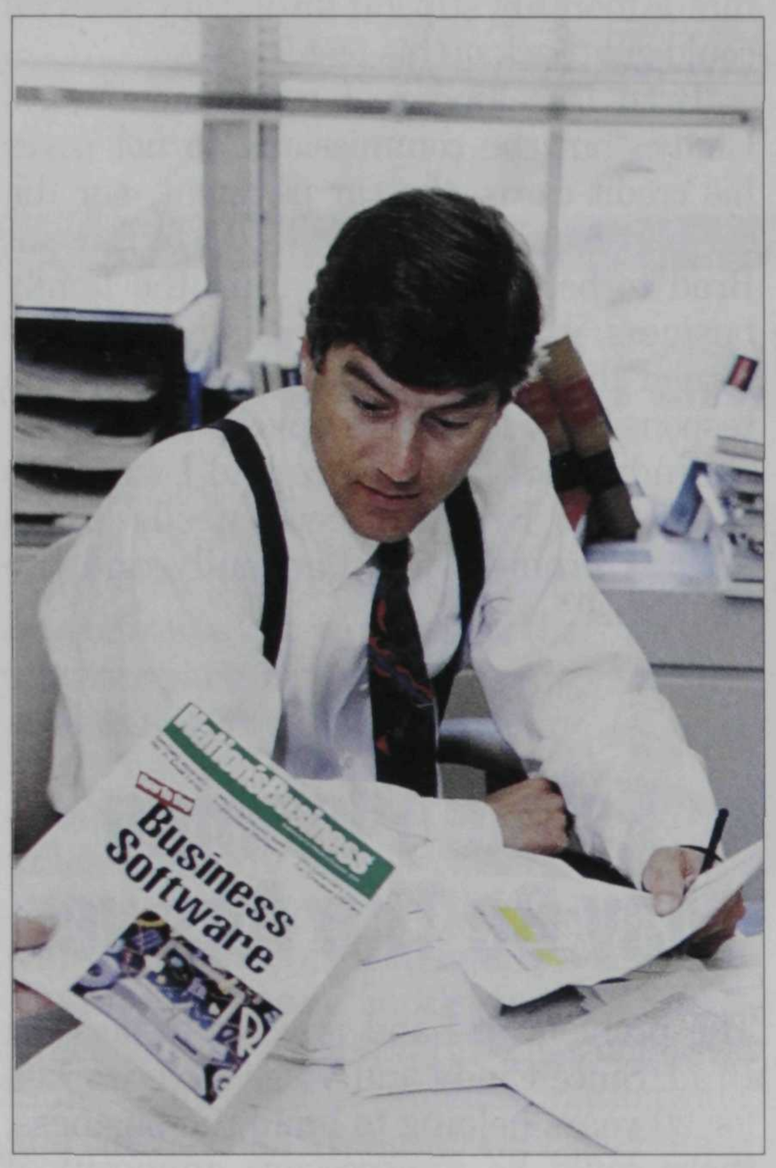
The bottom line is this: Cindy and Vince must have assurance, through ownership, of maintaining the restaurant business that they helped to build. Brad could be a burden to his siblings, but through proper estate planning, he could receive an equitable share of his parents' assets outside the business.

Assuming Mary and Frank are 100 percent owners of the restaurant chain, they, along with Cindy and Vince, can establish a family limited partnership, freezing the taxable present value of the business and allowing Cindy and Vince to participate in the fruits of future growth. Brad could enter the partnership later, after he has proved his worth.

Since Cindy and Vince are valuable assets, it is essential to cement their future and their continuance in the business. Another way to secure this goal would be to enter into a buy-sell arrangement under which, over time, Cindy and Vince would acquire ownership in the restaurant chain while giving their parents an income stream.

This series presents actual family-business dilemmas, commented on by members of the Family Firm Institute and edited by Georgann Crosby, a consulting partner in the Family-Business Roundtable, a consulting organization in Phoenix. Identities are changed to protect family privacy. The authors' opinions do not necessarily reflect the views of the institute. Copyright © by the Family Firm Institute, Brookline, Mass.

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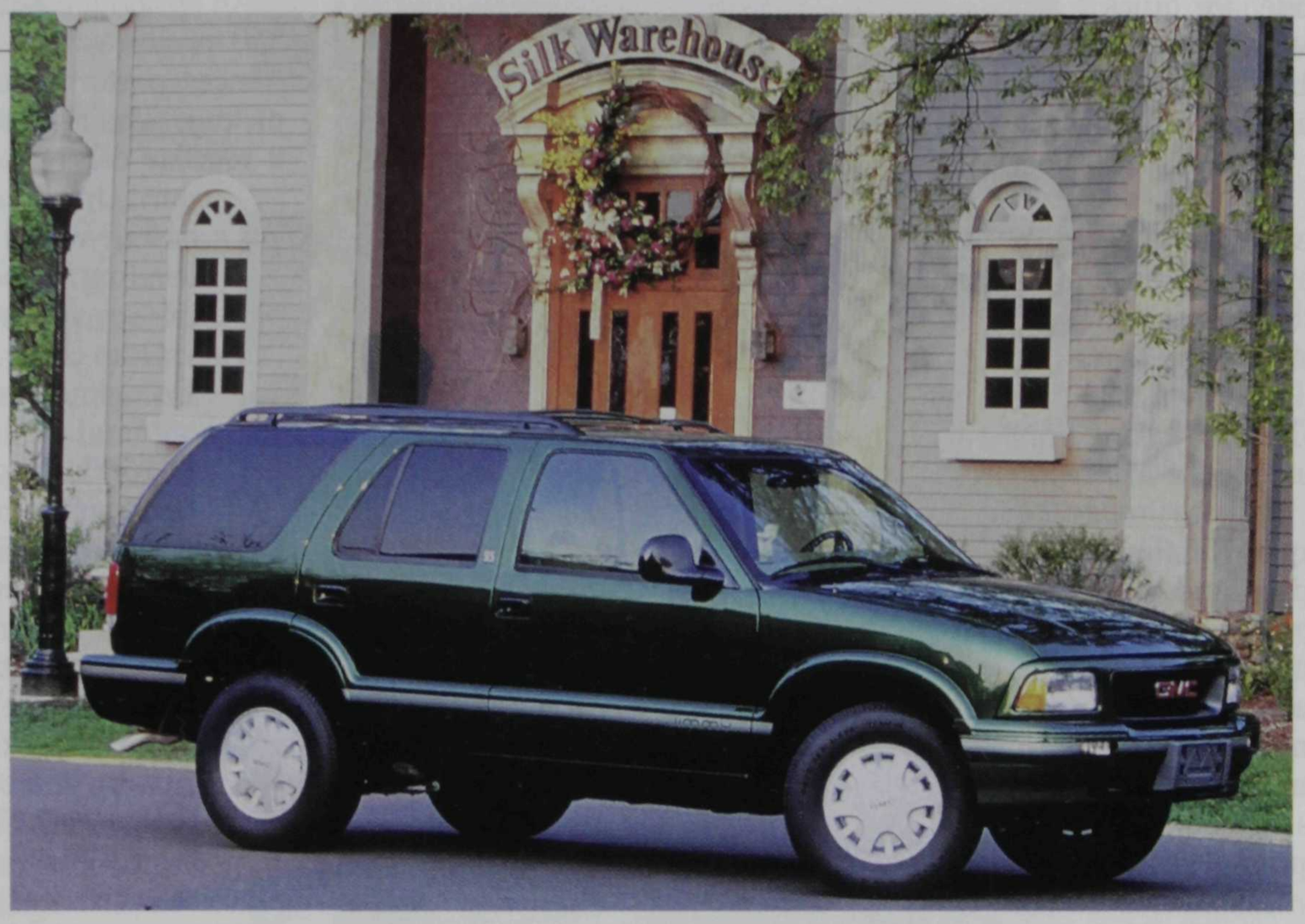
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SPECIAL REPORT

The 1997 Trucks

By Julie Candler



GMC Jimmy 4-Door: *A new lift gate and a hinged window for loading smaller objects.*

From light-duty pickups and vans to the biggest, most powerful over-the-road haulers, trucks are shedding pounds and using technology to reduce maintenance costs and improve fuel economy.

The red-hot market for light-duty trucks is softening slightly, says Howard Layson, director of automotive consulting at Coopers & Lybrand Consulting, in New York City. "The shortages of the past 24 months are gone," he says, "because [manufacturing] capacity is catching up with the demand. Buyers will be able to get quick delivery unless they order a unique package of options."

Layson says that light trucks—which include pickups, full-size vans, and the now-ubiquitous minivans and sport-utility vehicles—are still the hottest product in transportation.



Today, trucks represent 44 percent of all industry sales. Ross Roberts, general manager of Ford Division, says that by 2000, more trucks than cars will be sold in the United States. Trucks now represent 54.5 percent of sales at Ford, 65 percent at Chrysler Corp., and 42 percent at General Motors Corp.

Maryann Keller, an automotive-industry analyst and the managing director of Furman Selz, LLC, in New York City, says she expects about 6.5 million light trucks will be sold this year. "As long as gasoline costs no more than bottled water," she says, buyers will tolerate the fuel efficiency of light trucks, which averages 14 miles per gallon, 6 miles per gallon less than the average fuel efficiency of cars.

Sales of medium-duty trucks for the first half of 1996 were less than 1 percent below last year's first-half sales. But in heavy-duty trucks, sales of the heaviest type—Class 8, trucks weighing more than 33,000 pounds—were down more than 14 percent from a year earlier, according to the trade publication *Automotive News*. James L. Hebe, president and CEO of Freightliner, a maker of heavy-duty trucks, forecasts that the industry's Class 8 sales for all of 1996 will be 155,000, down from the record 201,304 sold in 1995.

Because of business's demands for lower operating costs, the newest heavy-duty trucks are losing weight for fuel economy and adding horsepower and torque (pulling power) for faster hill-climbing.

Technological improvements also are helping to reduce operating costs. For example, an option from Detroit Diesel, called optimized idle, keeps the engine warm, the batteries charged, and the cab heated or cooled as necessary while idling the engine at a minimal speed.

New transmissions are making the driver's job easier. A system from Rockwell International, called Engine Synchro Shift, works with a Detroit Diesel engine electronic control module—the computer that runs all the electronics in the vehicle—to ease both upshifts and downshifts. The driver never has to depress the clutch pedal except to start and stop the vehicle. The system reduces wear by cutting the number of clutch engagements by 80 percent.

More savings come from longer intervals for routine maintenance such as oil changes. Drive-shaft-lubrication intervals go from 15,000 miles to 100,000 miles with new Life Series driveline assemblies from the Spicer Lifeshaft Division of the Dana Corp. Some 1997 light trucks can be driven 100,000 miles before the first tuneup.

In the safety area, air bags soon will be available for several heavy-duty trucks, and experts expect they will be common by 1999. Meanwhile, nearly all light trucks have dual air bags or a driver's-side bag.

The parade of light trucks is lengthening as more auto manufacturers move into the fast-growing market for sport-utility vehicles. Since January, 10 more models have been announced, bringing the total of domestic and imported sport-utilities to 37.

Built on a platform raised higher than a car's, and usually equipped with four-wheel drive for traversing snow and rocky terrain, the popular vehicles have potential for commercial use.

Joining the segment this year are more so-called mini-sport-utilities from Japan. Luxury-level sport-utilities have all the comforts and conveniences of the priciest cars.



Keller says she expects 1997 price increases to be minimal for full-size vans, compact pickups, and compact sport-utilities, where markets are softening. She foresees a rise of 4 percent or more for full-size sport-utilities and pickups.

Light-Duty Trucks

Light-duty trucks include Class 1, up to 6,000 pounds gross vehicle weight (GVW); Class 2, 6,001 to 10,000 pounds; and Class 3, 10,001 to 14,000 pounds.

Acura

A premium four-wheel-drive sport-utility, the Acura SLX is decked out with leather seats, a power moon roof, heated front seats, power fold-in outside mirrors, fog lights, and wood-grain interior trim. A 3.2-liter, 24-valve V-6 engine is paired with a four-speed automatic transmission featuring a "power mode" for quick acceleration and a "winter mode" that starts in third gear for better traction in slippery conditions.



Chevrolet Venture

Chevrolet

A new Venture minivan, with an aerodynamic sloping hood, replaces the Lumina, which had a bullet-shaped design. The front-wheel-drive Venture is available with a 112-inch wheelbase or a 120-inch extended wheelbase. Flexible seating handles up to seven passengers. An extended-wheelbase cargo van will be ready by spring with up to 155.9 cubic feet of cargo space and a GVW of 5,357 pounds.



A power option opens or closes the sliding door on the passenger side at the touch of a keyless remote control. An optional sliding door on the driver's side is manually operated. The Venture has a 3400 V-6 engine with 180 horsepower and a four-speed automatic transmission with overdrive.

(For information on the full-size Suburban sport-utility, which is marketed under both the Chevy and GMC nameplates, see the GMC section below.)

Dodge

The redesigned Dodge Dakota pickup resembles its big brother, the full-size Ram pickup. The Dakota's tires are two sizes larger than before, and the pickup is 3.5 inches wider to accommodate them. The midsize frame has been stiffened with high-strength steel for durability.

The Dakota comes with a regular or a club cab and with two-wheel or four-wheel drive. Dodge says that among compact pickups, the Dakota has the roomiest cab interiors and the highest payload capacity (2,600 pounds) and trailer-towing capacity (6,800 pounds). The Dakota offers a choice of nine powertrains, it steers precisely, and it handles more like a sports car than a truck.

Ford

The new Triton family of engines for 1997 Ford trucks increases their power, performance, and fuel economy.



Honda CR-V



Kia Sportage



Mercury Mountaineer



AM General Hummer

The all-new F-250 pickup adopts the chassis and styling of the redesigned best seller, the full-size F-150. The F-250 has a GVW of less than 8,500 pounds and is popular for skilled-trades and construction work. Its payload has been increased to 3,340 pounds, 1,075 pounds higher than the 1996 model. A standard Triton 4.6-liter V-8 engine produces 220 horsepower.

An optional 5.4-liter Triton V-8 for the F-250 produces 235 horsepower, which enhances performance of the nice-handling pickup. The F-250 is available with either a regular cab or a supercab with a standard third door, and with two-wheel or four-wheel drive. An optional load-leveling suspension system is a first for any pickup.

On the full-size 1997 Ford Econoline vans and club wagons, an optional 6.8-liter Triton V-10 gets up to 265 horsepower and a husky 405 foot-pounds of torque. The powerful but fuel-efficient engine is the first 10-cylinder ever to equip a van. The vans' standard engine is a new 4.2-liter V-6. Other optional engines include a turbocharged diesel V-8.

The Ford Expedition enters the four-door, full-size sport-utility niche now dominated by the Chevy Suburban. The Expedition, which seats up to nine, replaces the Bronco.

With an optional 5.4-liter V-8 engine, the Expedition has the highest capacities for towing (8,000 pounds) and payload (2,000 pounds) of any full-size sport-utility. The base engine is a 4.6-liter V-8 generating 215 horsepower.

The Expedition is available in both two-wheel and four-wheel drive. Four-wheel-drive versions feature an optional Control-Trac system, also introduced on the 1997 Explorer. The system allows you to operate in two-wheel drive, four-wheel drive high or low, or automatic all-wheel drive. The latter delivers power to the front or rear wheels as needed for control.

GMC

A new lift gate is hinged from the roof at the rear of the four-door model of GMC's compact sport-utility, the Jimmy. Within the lift gate, a hinged window can be raised for loading smaller objects.

New speed-sensitive power steering allows low steering effort for easier parking and requires higher effort at cruising speeds. It's available on the full-size Savana van, the full-size Sierra pickup, the full-size Yukon and Suburban sport-utilities, and the compact Safari van.

Suspension changes allow tighter turns on most four-wheel-drive Yukons and Suburbans.

SPECIAL REPORT

Honda

In January, Honda will launch in the U.S. the CR-V, a Civic-based sport-utility that has been a runaway hit in Japan. Its features include a fold-out picnic table.

Power for the four-door CR-V comes from a four-cylinder 2.0-liter engine with four-speed automatic transmission. The standard on-demand four-wheel drive shifts power automatically to the rear wheels when it detects front-wheel slippage. In normal driving, the CR-V operates in front-wheel drive.

Hummer

For its 1996 models, AM General supplemented its optional gasoline and standard diesel engines with an electronically controlled, turbocharged 6.5-liter V-8 diesel, with 190 horsepower and better fuel efficiency.

The rugged four-wheel-drive Hummer sport-utility can be used in farming and ranching, mining, gas exploration, and construction as well as for fire and medical-emergency runs.

Infiniti

The makers of Infiniti's Q45 luxury sedan are attracting attention with the 1997 QX4 sport-utility.

Based heavily on Nissan's compact Pathfinder, which was redesigned for 1996, the QX4 will be lavishly equipped with luxury appointments such as leather and wood interior trim.

Isuzu

Most of Isuzu's trucks, including the Hombre compact pickup and the Oasis minivan introduced for 1996, are carried over with little change. The Trooper, the largest and most luxurious of the manufacturer's sport-utilities, adds four-wheel anti-lock brakes and an anti-theft system as standard.

Jeep

The original four-door compact sport-utility, the Jeep Cherokee, gets a redesigned front grille, more-contemporary lines, and a new instrument panel. It's available as a two- or four-door.

The all-new Jeep Wrangler has a World War II retro look for 1997. It features improved handling and passenger comfort. Two premium models are equipped with 4.0-liter six-cylinder engines in place of the standard 2.5-liter four-cylinder.

Kia

The 1997 Kia Sportage, a compact sport-utility from South Korea, is expected in October with few changes. It features a 1996 carryover, the world's first driver's-side knee bag. Engineered to work with the driver's-side air bag, it is designed to prevent knee injuries in a crash.



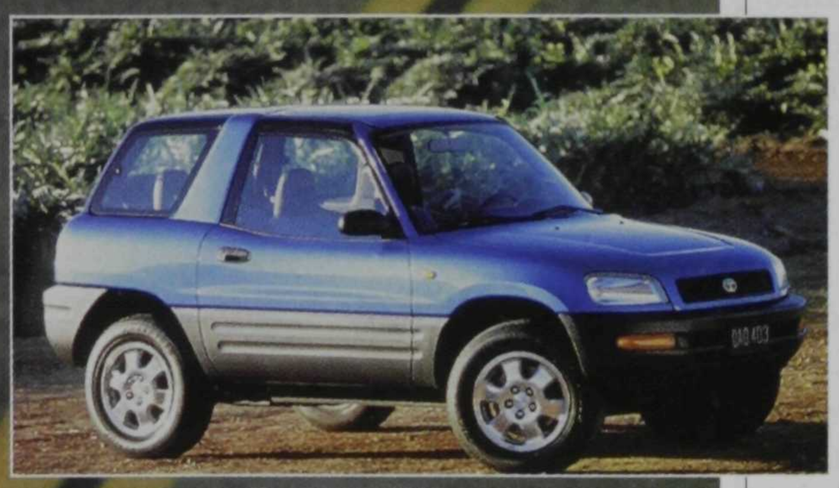
Jeep Wrangler



Suzuki X-90



Mercedes-Benz M-Class All-Activity Vehicle



Toyota RAV4



Isuzu Trooper

Land Rover

Land Rover North America Inc. returns the Defender 90, a soft-top convertible or a hardtop station wagon, to the U.S. for 1997, with its first automatic transmission. Also new for Defender 90 will be an all-aluminum 4.0-liter V-8 with 182 horsepower.

Lexus

"The Lexus that can take its owners anywhere" is the manufacturer's description of the LX 450 luxury sport-utility, which arrived in January. On a Toyota Land Cruiser platform, the 450 has full-time four-wheel drive as well as a soft, quiet ride and interior appointments equal to those on Lexus' flagship sedans. The same 4.0-liter V-8 that equips the top-of-the-line Lexus LS 400 powers the 450. Four-wheel drive is continuous, distributing torque as needed between front and rear axles.

Mazda

Jump seats become standard on all extended-cab models in the B-Series of compact pickups. A five-speed automatic transmission will be standard on both the regular-cab and extended-cab versions of the top-of-the-line B4000 compact pickup, which is powered by a 160-horsepower 4.0-liter V6. For the same model, four-wheel anti-lock brakes become optional. Four-wheel drive is dropped for the series' base model, the B2300.

Mercedes

Even Mercedes-Benz is tapping the sport-utility market with its first entry, the M-class All-Activity Vehicle. To be built in Alabama, it will go on sale in September 1997. The company calls its unique-appearing vehicle an "evolution" and expects a starting price in the mid-$30,000 range. Rather than deriving from a truck platform, the M-class will be more like a car, the company says.

Mercury

Luxuries such as Ford's premium sound system abound on the 1997 Mountaineer, Lincoln-Mercury's first entry in the sport-utility market.

Essentially an upgraded and restyled Ford Explorer, the four-door Mountaineer is a three-seater with a rear bench seat and a spacious cargo compartment. A big

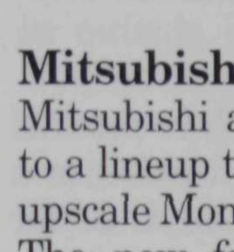
5.0-liter V-8 provides 211 horsepower. Two-wheel drive is standard; an optional all-wheel-drive system automatically adds pulling power to the front or rear wheels as needed.

Mitsubishi

Mitsubishi adds the Montero Sport to a lineup that already included an upscale Montero luxury sport-utility. The new four-door, five-passenger Montero Sport is a more affordable compact that is lower, lighter, and shorter than other Monteros. Both two-wheel- and four-wheel-drive versions are offered, with a standard four-cylinder engine and an optional 3.0-liter V-6 engine. The luxury Montero gets a new 3.5-liter V-6 engine.

Nissan

Nissan's regular and king-cab pickups, in two-wheel- and four-wheel-drive versions, are slated to be replaced soon. Meanwhile, the 1997 Quest minivan adds optional captain's chairs, and the Pathfinder sport-utility gets a standard Bose audio system.



Oldsmobile

The all-new Silhouette is for people who want a minivan with more luxury and convenience features. It is an upscale version of its cousins, the Chevrolet Venture and the Pontiac Trans Sport.

Among the Silhouette's extras are a "limp home" engine system, which allows the vehicle to be driven a short distance without engine coolant. A system designed to prevent battery rundown shuts off all unneeded lights after the Silhouette has been stationary for 10 minutes.

Pontiac

Pontiac says its Trans Sport is the sportiest minivan on the road and that its styling touches make it a mix between a sport-utility and a traditional minivan. Its specifications are similar to those of the Chevrolet Venture.

Suzuki

Four-wheel anti-lock brakes become an option on two sport-utilities, the X-90 and the JS and JX models of the Sidekick Sport. The two-wheel-drive X-90 gets an optional automatic transmission.

Toyota

In January, Toyota brought out a longer and wider third-generation version of its compact four-wheel-drive 4Runner sport-utility. There's a two-wheel-drive version, a quieter new inline four-cylinder engine that puts out 150 horsepower, and an optional V-6 that delivers 183 horsepower.

Toyota introduced an all-new RAV4 early this year. The two- or four-door mini-sport-utility has virtually sold out. It combines passenger-car elements with the stability and maneuverability of a light, off-road vehicle.



Land Rover Defender 90



Mazda B-Series



Dodge Dakota 4x2 Sport



Ford F-250



Mitsubishi Fuso FE

Medium- And Heavy-Duty Trucks

Following are new trucks and features in Class 4, 14,001 to 16,000 pounds GVW; Class 5, 16,001 to 19,500 pounds; Class 6, 19,501 to 26,000 pounds; Class 7, 26,001 to 33,000 pounds; and Class 8, more than 33,000 pounds.

Ford

A shortened version of the Louisville Class 7 or Class 8 vocational trucks, which were introduced in 1995, arrives this fall with a setback front axle for better maneuverability. Its length from the bumper to the back of the cab (BBC) is 101 inches, or 12 inches shorter than the original Louisville, to make it more suitable as a wrecker or for construction work.

The Class 8 conventional (engine in front) Aeromax, introduced in 1995, soon will have a 122-inch-BBC version that is 9 inches longer. It will be available with a new AeroLiner integrated (built into the frame) sleeper cab that has stand-up room. The cab and the subframe are designed with one-piece construction for improved ride and quietness.

Weight-paring changes such as constructing the cab out of aluminum are slated for early 1997 for the AeroMax and the highway versions of the Class 7 and Class 8 Louisville work trucks.

Freightliner

The manufacturer says it has applied 21st-century technology to produce low maintenance, economy, and efficiency in its new Century Class of trucks. The Class 8 trucks arrived in March with a 12-liter turbocharged six-cylinder engine developed jointly with Detroit Diesel and Mercedes-Benz AG.

The vehicles include BBC lengths of 112 inches or 120 inches and a range of sleeper-cab and day-cab versions. Oil-change and lubrication intervals have been extended for minimum downtime.

Freightliner says the new trucks offer unprecedented levels of electronics that monitor and log the performance of the engine and other systems and that let drivers and supervisors keep in touch through satellite and other communications capabilities.

SPECIAL REPORT

An optional occupant-restraint system combines the driver's air bag with automatic pre-tensioning of the seatbelt. In the first milliseconds of a major front impact or a rollover, the system pulls the driver's seat away from the steering wheel and roof.

The Century Class is available with an optional new low-ride chassis with low floor height to maximize payload space. The lower center of gravity increases stability for operators hauling bulky but not heavy cargo, and for bulk haulers of chemicals, petroleum products, and cement.

CustomerLink, a new software package designed to help Freightliner customers replenish their parts inventories, is offered through dealers.

GMC

GM has teamed with its partner Isuzu to produce the all-new T-Series (the T stands for tilt). The engines in these low, cab-forward models are below the cabs. Production moved to a GM plant in Janesville, Wis., after currency exchange rates drove prices up in Japan, the former manufacturing site.

The T-Series replaces the GMC Forward and Chevrolet Tiltmaster names. The models have been renamed to identify GVW categories: the T-5500 (Class 5), T-6500 (Class 6), T-7500 (Class 7) and T-8500 (Class 8). They are available with a single axle or a tandem axle, as a LoPro (low-profile) or a tractor model, and with GVWs of 23,100 (or 18,000 with special equipment) to 54,600 pounds. They are powered by GM's 210-horsepower 6.0-liter gas V-8 or Caterpillar's 3116 turbocharged diesel with 275 horsepower.

The vehicles can handle tasks ranging from city delivery on narrow streets to heavy beverage hauling. They offer automatic transmission as standard for the first time in any medium-duty truck.

The 1997 C-Series conventional trucks, formerly the GMC TopKick and Chevrolet Kodiak, have also adopted new names: the C-5500, C-6500, C-7500 and C-8500.

They include single- and tandem-axle models with GVWs of 18,000 to 61,000 pounds. For 1997 they feature aerodynamic sloping hoods and a new fender design to improve visibility for the driver. Gasoline power comes from GM's 6.0- or 7.0-liter engines, and a Caterpillar 3116 diesel rates up to 215 horsepower.

Hino

What Hino calls "The Step Van Alternative," a cargo door on the driver's side of the truck, is gaining in popularity for pickup and delivery work. Available on most Hino trucks, the feature allows drivers to remove cargo for delivery from the vehicle's rear and to load items through the side door.

This will be a carryover year for Hino as it prepares for 1998 changes. The trucks range from Class 4 models suitable for uses such as city delivery and wreckers to a Class 7 model with a GVW of 32,900 pounds.



Volvo VN Series



Hino FE 2618



Kenworth T2000



Freightliner Century Class



Ford Louisville Wrecker

Isuzu

The GM-Isuzu partnership results in all-new Isuzu tilt cabs nearly identical to those of GMC's T-Series. They are featured in Isuzu's new F-Series medium-duties, formerly built in Japan and now built at the GM plant in Wisconsin.

Unlike GM's versions, the 1997 Isuzu Class 6 FSR and Class 7 FTR and FVR trucks are powered by the company's 6HE1-TC diesel engine, available with 200 or 230 horsepower. Both have a six-speed Isuzu manual transmission.

The new Isuzu-designed cab is 2 inches wider and has 3 inches more headroom and larger glass areas than previous models.

Kenworth



The all-new Kenworth T2000, a Class 8 truck, was designed to increase productivity for drivers, mechanics, and owners by reducing life-cycle costs and downtime while accommodating engines of up to 550 horsepower. The new vehicle is lighter but larger, with advanced electronics and 30 percent fewer parts than other Kenworths. When an air bag becomes available in 1997, it can be installed in the steering wheel.

The T2000 is distinguished by the aerodynamic slope of its hood; wind resistance is 6 percent less than that of the Kenworth T600, which had been the industry leader in that category. Grab bars for driver and passenger access are inside the doors, which keeps the bars warm and dry and gives the truck's exterior panels a smooth look.

The T2000 will be available in 114 models, including a day cab (by mid-1997) and six sleeper and roof configurations. It's available with 120- or 112-inch BBC length, each equipped initially with 75-inch Aerodyne integrated sleepers.

Extra headroom in the roomy cab allows a 6-foot-2-inch person to stand alongside the driver's seat. The distance between the driver's and the passenger's seat is 17 inches wider than in the previous flagship, the T600.

Kenworth estimates that the T2000's

weight reduction of about 600 pounds can increase payload and revenue by 10 percent and fuel economy by 3 percent.

Mack

Mack adds a 50-inch high-rise sleeper to its CH Series tractors' Millennium Sleepers, which range from 42 to 74 inches. The newest sleeper offers more storage area and allows the driver to stand upright and move about freely in the sleeper compartment.



Weight reductions and improved fuel efficiency are among other new developments at Mack. The oil-change interval has been extended to 30,000 miles for line-haul trucks equipped with a Mack E7 engine and meeting certain use criteria.

Mack also adds theft-deterrence upgrades for vehicles equipped with the V-MAC II electronic vehicle-management system. A new program speeds up the claims process by empowering dealers to make on-the-spot decisions about warranty coverage.

Mitsubishi Fuso

Only minor changes have been made to the 1997 lineup of cab-forward, diesel-powered trucks after Mitsubishi Fuso's introduction last year of a new cab and more-powerful engines. Mitsubishi Fuso's trucks range from Class 3 and 4 FE models up to the four Class 7 FM models.

Navistar

Major improvements to Navistar International's premium conventional tractors, the 9200 and 9400, include reduced chassis weight, a new hood, and a common chassis. The two models now use more of the same parts, which eliminated 650 part numbers.

A new method for the manufacturing and mounting of the hood improves fit and durability, lowers the 9200 hood by 4 inches, and shortens the 9400 hood by 4 inches.

Top-of-the-line models of the entire 9000 Series tractors will carry the Eagle brand name and will have badging and grille treatments that distinguish them from other vehicles in the series.

A new Sky-Rise model of Navistar's Pro Sleeper offers 102 inches of floor-to-ceiling height, the tallest in the industry, yet reduces weight by 50 pounds.

Peterbilt

A redesigned 377A/E Class 8 conventional model features a sloped hood for better visibility, improved aerodynamics, and a contemporary look. New streamlined headlights feature Lexan lenses that resist rock damage.



Mack CH 600



Western Star 5964SS



Navistar International 9400 Series



UD Trucks UD1400



Peterbilt 377A/E

Peterbilt's new UltraSleeper contains two upholstered, sofalike seats. Its full-size bed folds up like a Murphy bed to make room for a fold-down table or work surface. The standard engine for Class 8 Peterbilts becomes the Caterpillar C-10 diesel, designed for high horsepower and fuel economy. The higher-horsepower Caterpillar C-12 is an option.

A new model of the 320 low cab-forward gets a redesigned and lowered dash for driver convenience, a new grille, and improved ducts for heating and air conditioning. A larger passenger-door window increases side visibility.

UD Trucks

While planning additions to its line for 1998, Nissan Diesel America is making few changes for the 1997 model year. The company markets five diesel-powered, cab-over-engine medium-duty trucks, from Class 4 to Class 7.

Volvo

This fall Volvo GM introduces a new family of Class 8 highway tractors, the VN Series, designed for reduced operating costs, improved safety, and a comfortable ride.

The aerodynamically styled series is available in a medium conventional with 113 inches BBC and a long conventional with 123 inches BBC. The standard diesel engine is a 345-horsepower Volvo.

The sloped hood, large, one-piece windshield, and a new mirror system improve visibility. The cab is taller, deeper, and wider than that of previous Volvo tractors.

The VN Series is equipped with a collapsible steering column and an optional driver's air bag. A new customer-support program, longer service intervals, and easier maintenance are designed to reduce downtime.

Western Star

The new Constellation series of six trucks emphasizes interior spaciousness and efficient design while adhering to Western Star's standard of handcrafted quality.

The series arrived in February with the 4800FX, 4900EX, 4900FX, 4900SX, 5800SS, and 5900SS. The major cab redesign stresses lighter weight, more legroom, and improved ergonomics.

The cab doors are 4 inches wider and 2.75 inches higher than those of previous models. NB

Small Business Financial Adviser

Travel expenses you can deduct; phone slamming; depreciation catch-up rules; investing tailored to stages of life.

Separating Business And Commuting Costs

By Gloria Gibbs Marullo

The basic rule on taking a tax deduction for commuting expenses is simple. You can't.

In general, travel between your home and your place of business is a nondeductible personal expense. Business travel, however, is another story—a fully deductible one.

How can you tell the difference? Only the tax courts know for sure. But the four areas that cause most of the confusion are the Internal Revenue Service's definitions of "tax home," "home office," "metropolitan area," and "temporary assignment."

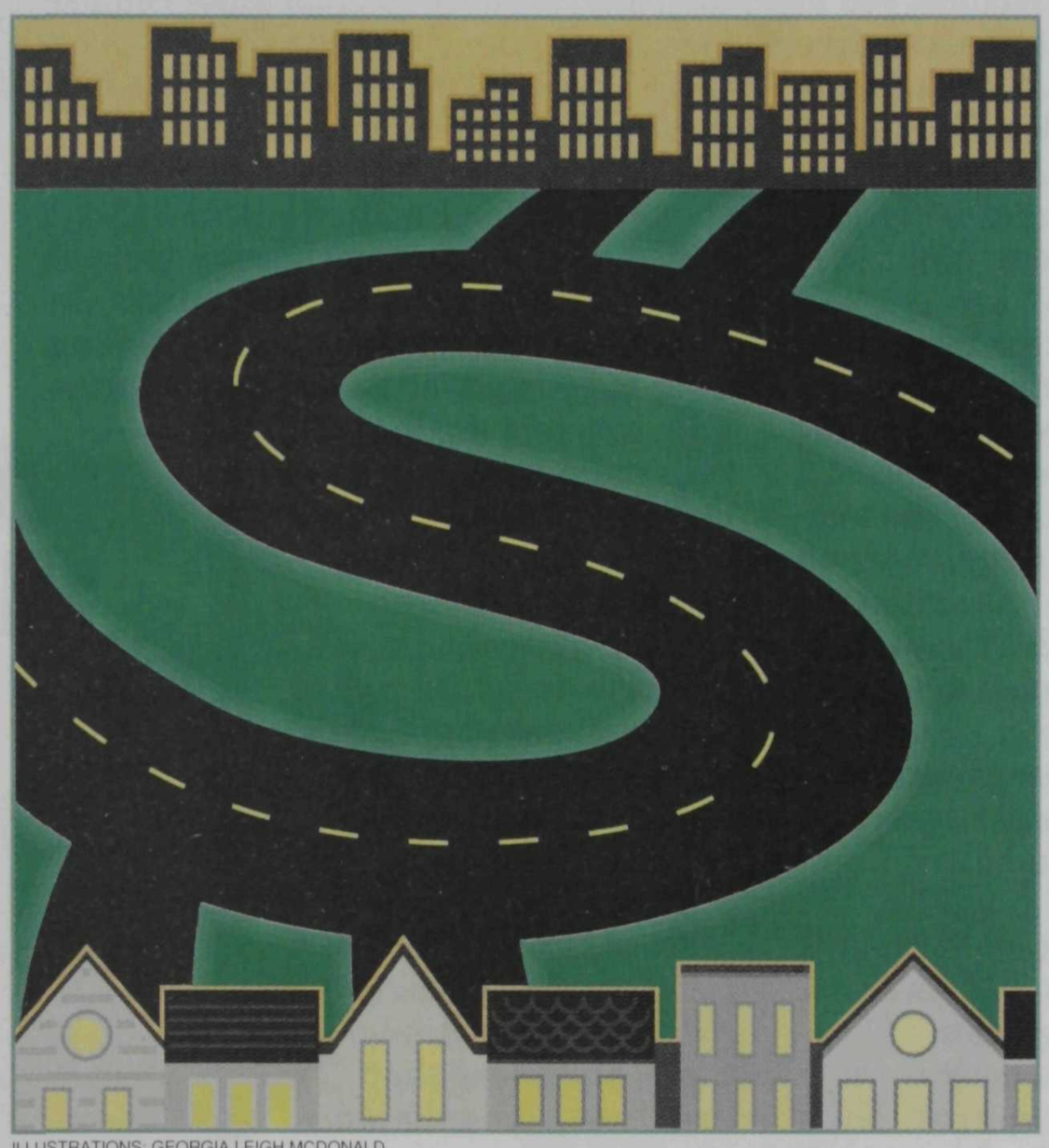
For most people, home is where the heart is—the place with the husband or wife, the kids, and the dog. In tax terms, however, home is where the work is, not necessarily where you show up for supper. The IRS doesn't care where, how, or how often you travel. Your regular place of work still determines your "tax home," and the cost of getting from where you live to where you work is a commuting expense. And, as one California taxpayer found out, distance is no assurance of deductibility.

Your Commute, Your Cost

The owner of a machine shop in Santa Clara moved to a town 140 miles away because he wanted a different lifestyle for his family. Because of the long drive from his new "family home" to his place of business, he spent weeknights in a motel in Santa Clara and drove home on weekends. He tried to claim the motel and mileage costs as "away from home" business-travel expenses, but the U.S. Tax Court held that his tax home was in the "vicinity" of his business, so the costs of the motel and travel were nondeductible commuting expenses.

Note that the court said the sole proprietor's tax home was in the "vicinity" of the work site. That's because the tax rules say your tax home is the entire metropolitan area in which your business or work is located. But the rules don't precisely define what constitutes a metropolitan area.

This can create a lot of confusion. George Jones, managing editor of *CCH Federal Tax Weekly*, a Commerce Clearing House newsletter with editorial offices in New York City, cites the example of construction workers in New York City who are assigned to jobs in New Jersey. Many have been deducting their out-of-state travel costs each day—often up to 120 miles round trip, plus $7 in tolls.



ILLUSTRATIONS: GEORGIA LEIGH MCDONALD

"These workers are sitting on potential audit time bombs," says Jones, "simply because nobody is really sure what the rules are. The IRS simply refuses to pin itself down on what are acceptable boundaries for a single metropolitan area."

In The Woods

Another example is found in the Black Hills of South Dakota, which aren't even close to urban-population density. A major Tax Court case in 1993 involved a logger who ran the business end of his lumber company from his home and cut trees at locations in the Black Hills, several miles away. The IRS challenged the logger's deduction of travel expenses from his home to the work sites. The dispute hinged on whether he could claim his home work space as a tax-deductible home office. Remember, travel from home to work is nondeductible commuting. But under the tax rules, travel from a "home office" to a work site is deductible.

The Tax Court ruled that the logger was traveling from a "regular" place of business, not a "principal" place of business. While a "regular" place of business would not meet the more exacting requirements for a "home office" deduction, it was still good enough to permit the travel deduction. (Loggers cut trees. Tax specialists often split hairs.)

After losing the case, the IRS rewrote the rules applying to home-based business deductions, closing the loophole that the logger squeezed through. The agency issued a 1994 revenue ruling that essentially requires a home-based business to qualify as a home office—not just a regular place of business—before deductibility for business travel can be allowed.

The Home-Office Question

What does this mean for the growing number of home-based businesses? "Unfortunately," says Gary Fox, a CPA with the firm of Crowe Chizek in South Bend, Ind., "it's next to impossible to meet the requirements" set forth by the IRS for deducting the expenses of a home office.

Just what travel is deductible? If you have a bona fide home office, all local travel in the course of business is deductible. If you do not have a home office, you can generally deduct any business-

related trips made after you have arrived at your regular place of work, such as travel to see your banker, attorney, suppliers, or customers.

Travel outside your metropolitan area gets even easier. As long as your business purpose is temporary and outside your metropolitan area, you can deduct travel directly from your residence to your destination without having to stop off at the office to make the trip deductible.

Coming Next Month

Third-quarter market summary and outlook

The catch with long-distance travel is determining when "temporary" turns into "permanent." Say you have a contract with a client 150 miles away for a project that requires you to be at the site five days a week for six months. You take a room in a motel and drive home on weekends. Because your contract is for less than one year, you can deduct the cost of the motel and travel.

Watch out, however, for the temporary-assignment rule, which states that any taxpayer who is away from his or her "tax home" for over one year has established a new tax home at the location of the temporary assignment. "The tax rules on temporary vs. permanent assignments can be confusing," says Jodi Patterson, an IRS spokeswoman. "You must determine whether a job will last over or under a year before you start the assignment.

"Say, for example, you start a job that you think will last nine months. Eight months into the job, you realize it will take 15 months. The first eight months are business travel and the last seven are [nondeductible] commuting miles."

Unfortunately, the rules don't work in reverse. "If you estimate upfront that a job will take 18 months," cautions Patterson, "but it only lasts eight months, none of the travel is deductible."

Company-Paid Commuting Costs

If you or an employee is out of town for over a year, your company probably pays for frequent trips home during the assignment. There are two ways to treat the cost of company-paid travel that the IRS considers a commuting expense—and neither is pleasant.

Self-employed taxpayers simply forgo the deduction. Your "commuting" expense is nondeductible personal travel.

It gets more complicated when an employer pays for an employee's trips home. Any personal expense such as nondeductible commuting miles an employer pays on the employee's behalf is considered income subject to federal, state, and FICA taxes, and it must be added to the employee's W-2 form.

Confused? For guidelines on business travel, call 1-800-TAX-FORM and ask for the free IRS Publication 463, "Travel, Entertainment and Gift Expenses." If you use your car in your business, also ask for Publication 917, "Business Use of a Car." Just remember: The hard part is deciding what's commuting and what's business travel. Calculating the deduction can be as easy as multiplying your 1996 business miles by 31 cents. ■

Gloria Gibbs Marullo is a CPA and business writer in South Bend, Ind.

TELECOMMUNICATIONS

'Tis The Season For 'Slamming'

With the Telecommunications Act of 1996 being implemented this fall, you'll eventually be able to have your firm's long-distance and local phone calls combined into a consolidated service provided by one company. Because long-distance companies, local phone companies, and even cable TV companies will be getting into the act, the competition will be fierce.

"But watch out," says Craig Watts, a spokesman for Pacific Bell. "With all these new service options, there's going to be more risk for the unwary buyer." In the initial confusion over who's selling what to whom, Watts says, unscrupulous telemarketers are likely to try to take advantage of small-business owners.



Already, slammers—telemarketers who switch service with the customer's inadvertent approval or no approval at all—are hard at work, according to industry insiders. Most of the slamming is being done by small long-distance providers that are not household names.

"These people [slammers] don't actually say whom they're with," says Lee Ann Kuster, a spokeswoman for AT&T, "and they lead you into thinking you're talking to your local phone company." That's because it's the local phone company that actually implements the switch in long-distance carriers. (A switch in service can be implemented on the strength of a third-party request.)

John Barker, head of the National Fraud Information Center, in Washington, D.C.—part of the National Consumers League—says "small businesses are of special interest to telephone-service slammers because big businesses usually have departments where several people have to sign off on making service switches."

In response to a widespread outcry over slamming, the Federal Communications Commission last year adopted a rule aimed at making phone-service switching by telemarketers more difficult. It requires the telemarketer to obtain a customer's written or spoken authorization before switching phone service.

Spoken authorization has proved to be a sizable loophole for creative slammers to use to their advantage, however. They may try, for example, to get you to reveal your Social Security number or some other form of identification that allows them to convince a local phone company that you've authorized the switch to another long-distance provider.

To avoid being slammed, don't give a caller any personal identification information. "You have to verify whom you're speaking with and ask for names and phone numbers to call back, plus written material you can study," says Tim Ireland, a spokesman for Bell Atlantic.

"One good way to provide protection against being slammed," says Bryant Hilton, a spokesman for MCI Communications Corp., "is to have your local phone company set up a special password that only you would know." Thereafter, the phone company will require the password before implementing any change in service. This way you can make sure no one does any switching around without your approval. Generally, there's no cost for this service.

—Peter Weaver

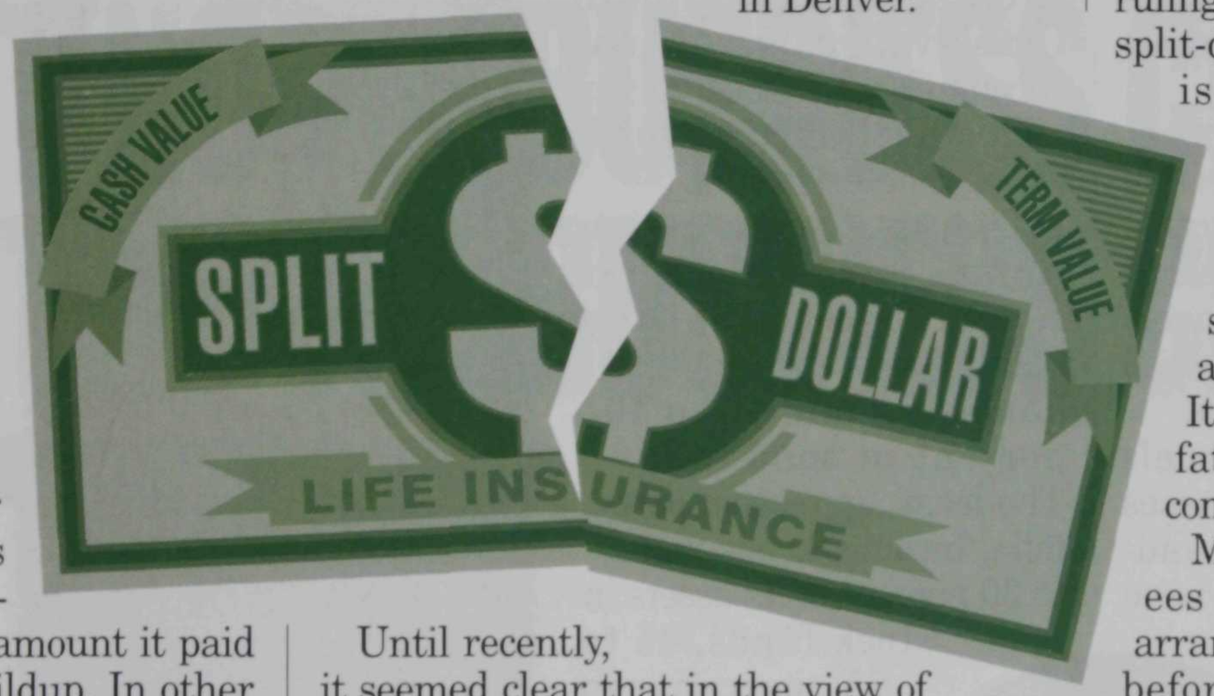
The author is a business writer in Bethesda, Md.

EXECUTIVE BENEFITS

IRS Casts Doubt On Popular Split-Dollar Life Insurance

A recent Internal Revenue Service ruling raises questions about an increasingly popular fringe benefit known as split-dollar life insurance.

Here's how split-dollar policies work. The employee—typically an executive—takes out a large life insurance policy that builds cash value tax-free, but the employer pays most or all of the premiums.



Split-dollar arrangements may take a number of forms. The most popular in recent years is the so-called equity split-dollar arrangement. Under this approach, the company ultimately gets back the cash amount it paid in but none of the cash buildup. In other words the "equity," the amount of cash buildup, goes to the employee. (An employee who leaves a company while such a policy is in force may be able to retain the coverage if he or she agrees to pay the total premium.)

Whatever the approach, split-dollar policies are a popular fringe benefit for key executives as a supplement to retirement plans. Tax on the cash buildup is deferred until the money is withdrawn.

In addition, a holder of a split-dollar policy may take some of the cash value in the form of a loan to pay a child's college tuition or for any other purpose. Or the policy may be kept in force until death, with the net proceeds going income-tax-free to beneficiaries, according to the Institute of Certified Financial Planners, in Denver.

Until recently, it seemed clear that in the view of the IRS, the only amount taxable to the employee as income each year was the cost of the one-year term insurance if that amount was paid by the employer.

Recently, however, the IRS issued a technical advice memorandum concluding that the employee must include in taxable income each year not only the one-year term cost of the life insurance but also any yearly cash-value buildup in the policy.

In addition, the IRS said, the employee will be viewed by the IRS as having made a taxable gift to the beneficiary of that same amount.

This new IRS position has caused an uproar in the business community.

The memorandum is binding only in the specific case that triggered the IRS ruling. It does not necessarily apply to all split-dollar plans. But the memorandum is an indication of how the IRS's thinking may have changed.

The IRS is currently reconsidering its treatment of all split-dollar plans, and arguments are being presented by the business community against this changed interpretation. It's possible that the IRS may grandfather existing plans if it ultimately confirms its previous position.

Meanwhile, companies and employees only now considering split-dollar arrangements should seek expert advice before deciding whether (and how) to go ahead with a split-dollar plan or wait until the IRS makes an official determination.

—Albert B. Ellentuck

The author is counsel to the Washington, D.C., law firm of King & Nordlinger.

TAXES

Catching Up On Depreciation

Failure to claim allowed depreciation deductions for your business's property can have double-barreled consequences, one at the time you file your taxes and another when you sell the property.

A missed deduction means you pay higher taxes than necessary. In general, you can correct errors in a tax return by filing an amended return within three years of the original due date or three years of the actual filing date, whichever was later. After that three-year limit, a tax return is considered "closed," meaning you can no longer file an amended return.

There is, however, one place where a missed deduction from a closed tax year *must* be applied: to the calculation of the capital-gains tax you owe on the property when you sell it. The deduction must be used to calculate the "basis" value of the property—the original cost minus depreciation. The lower the basis value, the higher the taxable capital gain when you sell the property—and the more tax you would have to pay.

Bombarded with questions on how to make up the missed depreciation in a closed tax year, the Internal Revenue Service in the early 1990s agreed to look into the issue. "In the meantime," says Jim Connor, a partner with Coopers & Lybrand's national tax office in Washington, D.C., "people who knew they had a problem with depreciation were in a tough situation."



Fortunately, the IRS recently issued Revenue Procedure 96-31, which allows some taxpayers who claimed less depreciation than allowed on earlier returns to "catch up" with a one-time adjustment on their current federal income-tax return.

Not all depreciable property is eligible, but two common situations where the new catch-up rules apply are assets depreciated using an incorrect tax life and assets that were never depreciated at all. Here's an example with both errors.

Say you had to replace the sewer and water lines to your plant in 1991. By the time you tore up and resurfaced the parking lot and added new sidewalks and landscaping, you had invested $50,000.

Your new accounting clerk mistakenly entered $45,000 of construction costs as "building improvements" with a 31.5-year tax life instead of "land improvements" with a 15-year life. Moreover, the clerk forgot to add the $5,000 spent on landscaping into your depreciation calculation.

Before Revenue Procedure 96-31, you would lose the newly discovered depreciation deduction because the error was discovered in a "closed" tax year, but the deduction would lower the "basis" value of the property—ultimately increasing your capital gain.

Now, however, you can take a cumulative catch-up deduction on your 1997 tax return by filing Form 3115 by June 29, 1997. "Seldom," says Connor, "does the IRS provide such a win-win situation."

—Gloria Gibbs Marullo

INVESTING

Lifestyle Funds: Laissez-Faire Investing

By Randy Myers

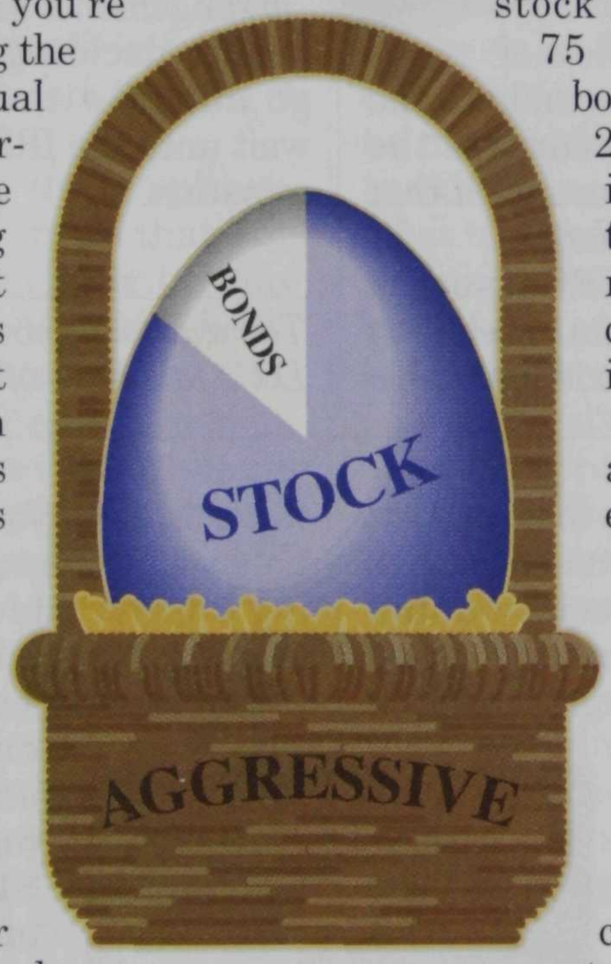
Keep it simple.

That's the appeal of so-called lifestyle funds for investors who want to create an investment portfolio with minimal effort.

Lifestyle funds contain a diversified selection of stocks, bonds, and cash equivalents, such as Treasury bills, in allocations that are pre-mixed to match the various stages of your investing life.

While you're young and saving for retirement many years away, your lifestyle portfolio will be filled mostly with stocks, which are riskier than bonds or cash but also offer the highest long-term returns. As you age, you choose lifestyle funds with progressively smaller stock weightings.

While some investment professionals scoff and say these funds-for-the-masses can't match the performance of a hand-tailored portfolio, their early returns have been respectable. So, if you're not obsessed with owning the latest hot stock or mutual fund and you're not worried about "beating the market" (that is, doing better than the market averages, which is harder than you might think, especially with broadly diversified funds like these), lifestyle funds may be right for you.

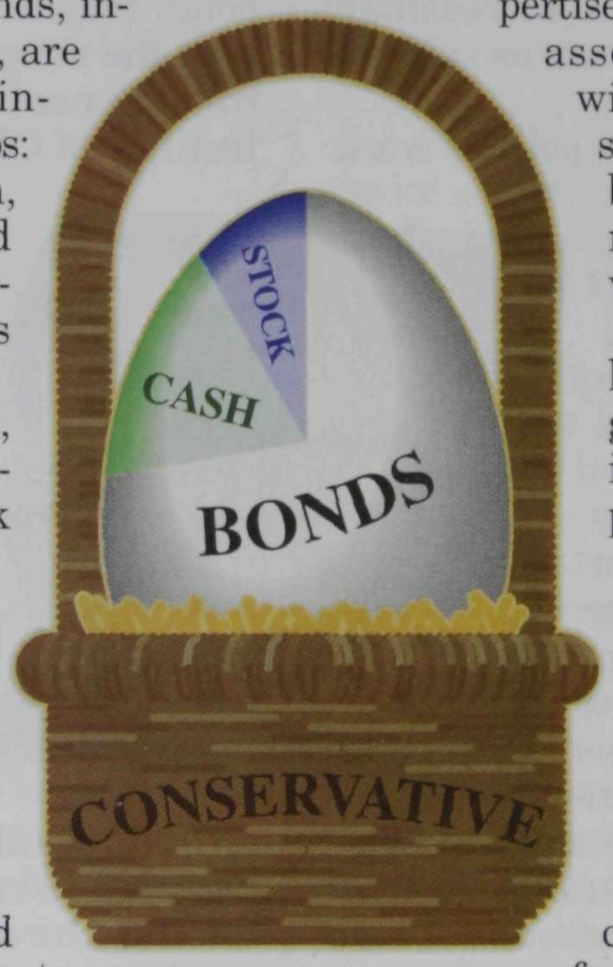


Here's why. To avoid the risk associated with putting all of your investment eggs in one basket, you know it's important to build a diversified portfolio of stocks, bonds, and cash, either directly or through mutual funds. But stocks, bonds, and cash all have different performance and risk characteristics. Ascertaining the right mix and maintaining that mix over time can be a confusing and time-consuming challenge.

Lifestyle funds eliminate many of these problems and the paralysis some investors feel when confronted with today's overwhelming number of investment options. Simply by working through a questionnaire or brochure provided by your fund company, you can find a lifestyle fund that closely matches your investment horizon and tolerance for risk.

The Vanguard Group, Dreyfus Corp., Charles Schwab & Co., and Stephens, Inc. (through its Stagecoach funds, sold at Wells Fargo banks) are among the 20 or so companies offering lifestyle products.

Vanguard's LifeCycle funds, introduced in October 1994, are typical of the genre and include four different portfolios: Growth, Moderate Growth, Conservative Growth, and Income. Each invests in various other Vanguard funds but in a different mix.



The most aggressive, Growth, keeps 60 to 90 percent of its assets in stock funds (both foreign and domestic) and 10 to 40 percent in bond funds. The least aggressive portfolio, Income, keeps just 5 to 30 percent of its assets in stock funds, 45 to 75 percent in bond funds, and 20 to 50 percent in cash reserves. You select the fund that meets your needs now, and later you can transfer to another fund if your needs change.

Selling one fund to buy another can create a taxable event, though, and just deciding when to change funds is more work than some investors want to undertake. Stephens has attempted to address both of those concerns with its series of five LifeStrategy funds, which automatically change their asset-allocation strategies over time.

LifeStrategy 2000, for example, is designed for investors who plan to begin withdrawals around the year 2000, and it is a conservative fund with a higher proportion of bonds than stocks. The LifeStrategy 2020 fund is designed for investors who don't plan to start making withdrawals for another 24 years; it features a portfolio much more heavily weighted in stocks today, but as time goes on, its asset mix will gradually become more conservative.

To be sure, lifestyle funds have their drawbacks. If your stock and bond investments are in a single fund, you can't dump one independent of the other. If you see your bond holdings taking a dive, you couldn't sell to realize a tax loss without also selling your stocks, which may be performing well.

Also, you're counting on one mutual-fund company to provide investment expertise across a broad range of asset classes. A company with a superior record in stock investing may not be able to match that record in bonds, or vice versa.

Still, early returns for lifestyle funds have been good enough to appeal to investors who prize simplicity. To gauge such funds, we assembled a simple, theoretical portfolio of two high-performing mutual funds, one that invests in stocks, the other in bonds.

For the former, we chose the Schwab 1000 fund, and for the latter we chose Fidelity Spartan Government Income. Both have finished in the top quartile among their peer funds for the latest one-year and five-year periods, according to Morningstar, Inc., an investment-research firm in Chicago.

A portfolio with half of its assets in each fund would have shown a total return of 21 percent for the 12 months ended March 31.

By comparison, the Vanguard LifeCycle Moderate Growth Portfolio posted a total return of 22.57 percent for that period; Dreyfus LifeTime Growth & Income, 23.70 percent; and Stagecoach LifePath 2010, a 17.56 percent return. Schwab's Asset Director lifestyle funds don't yet have a 12-month performance record.

While lifestyle funds may never match the performance you'd get from hiring the best stock manager, the best bond manager, and the best financial adviser independently, there's always the chance that you wouldn't be able to find that winning combination anyway.

"These funds target people who would not have financial planners in the first place," observes Cebra Graves, an analyst at Morningstar. "Either they don't have enough money to interest a planner, or they don't want to pay the planner's fee. This solution seems to be pretty reasonable. But people with high net worth should be able to get a better, more customized plan on their own."

Of course, there goes simplicity. NB

Randy Myers is a financial writer in Dover, Pa.

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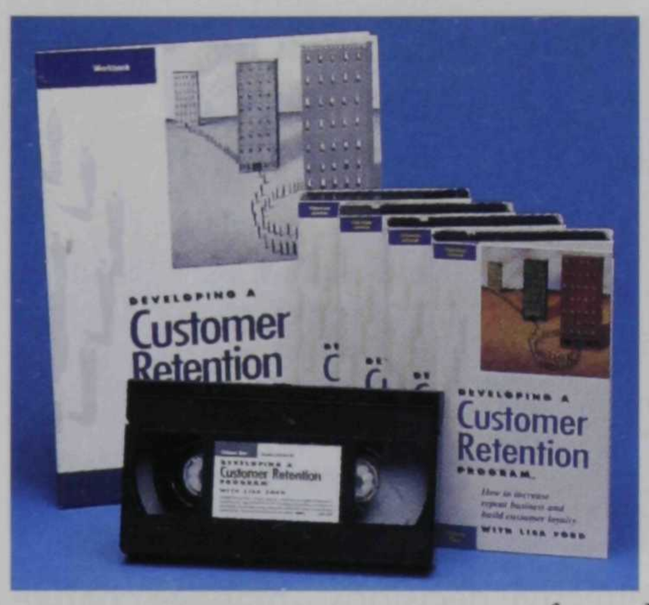
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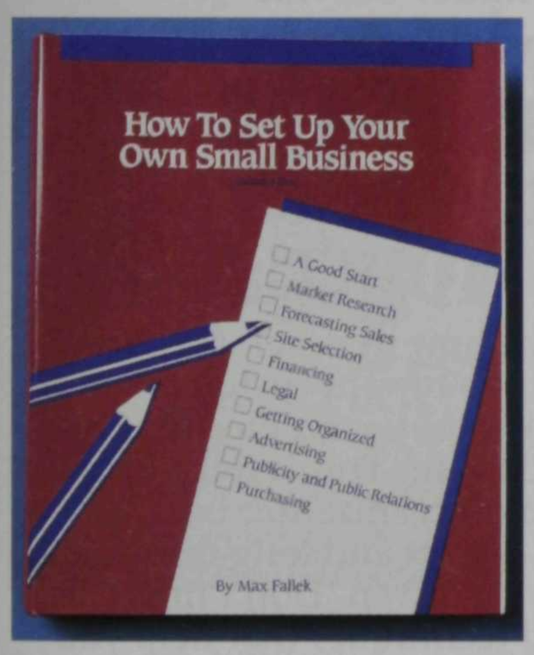
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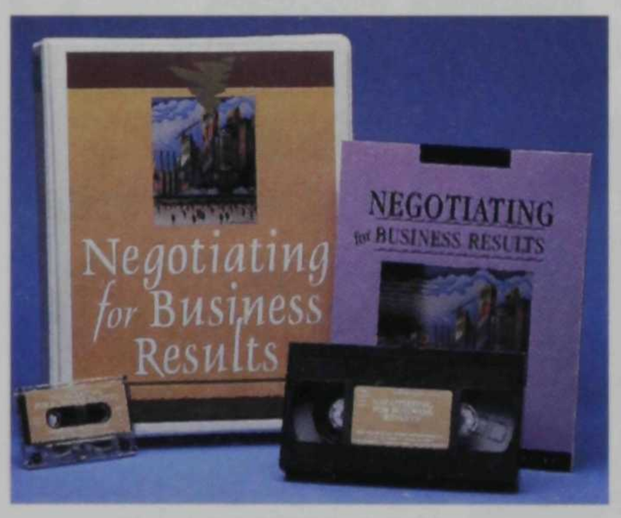
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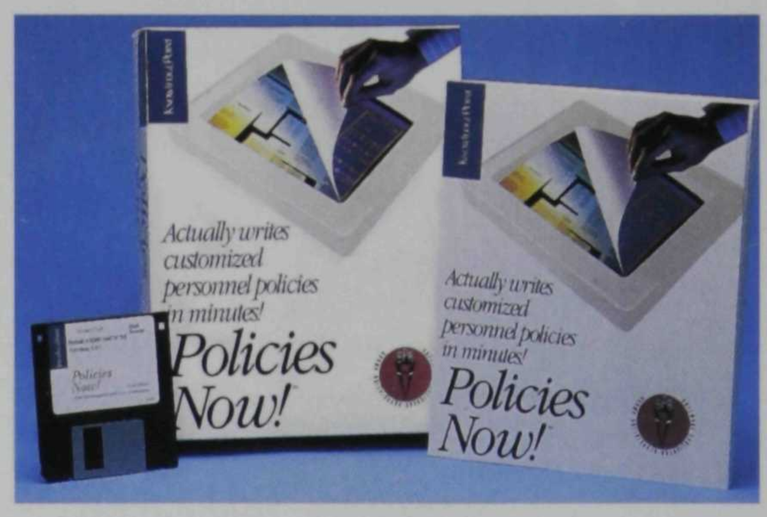


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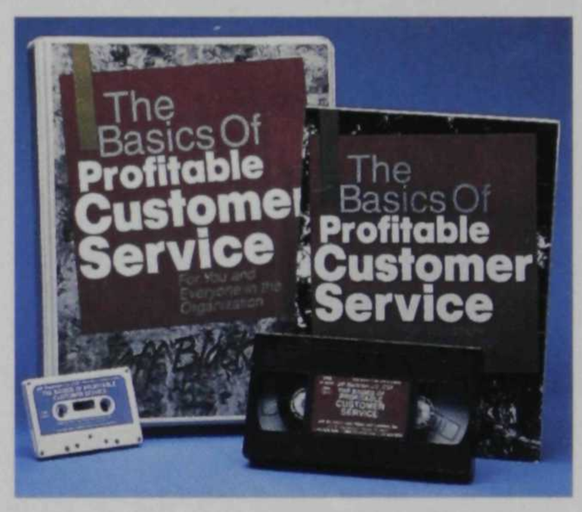


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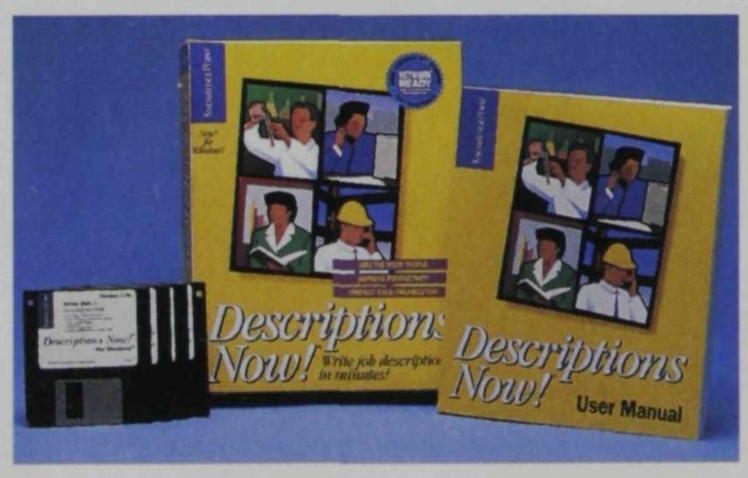


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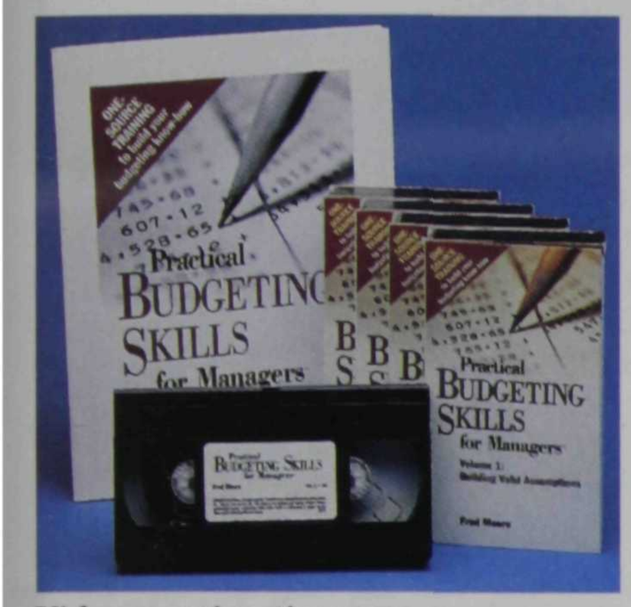
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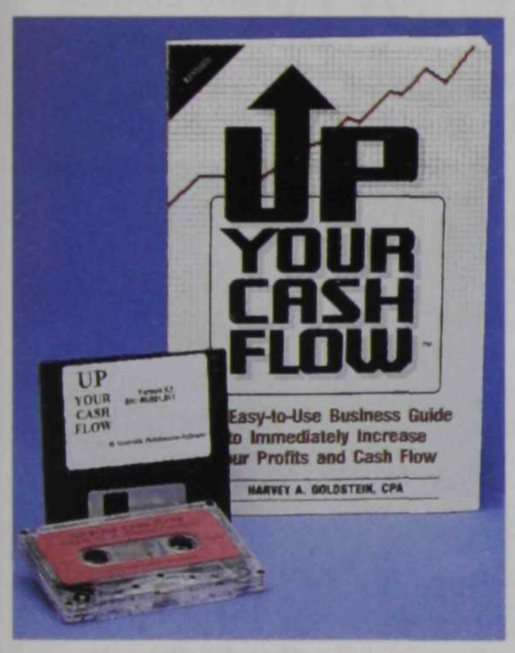
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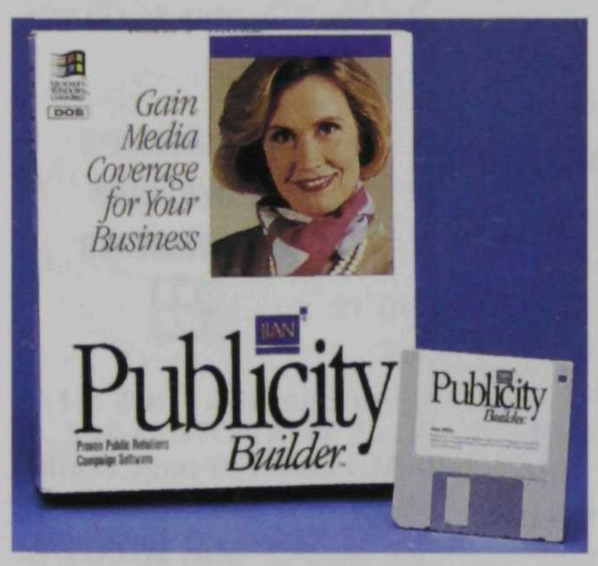
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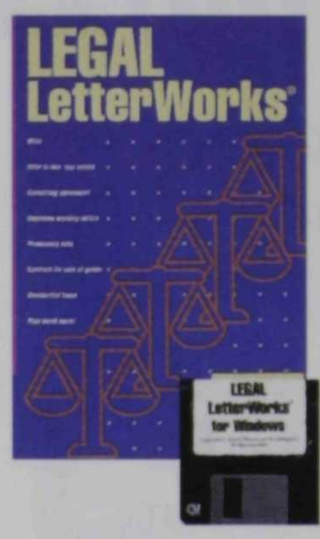
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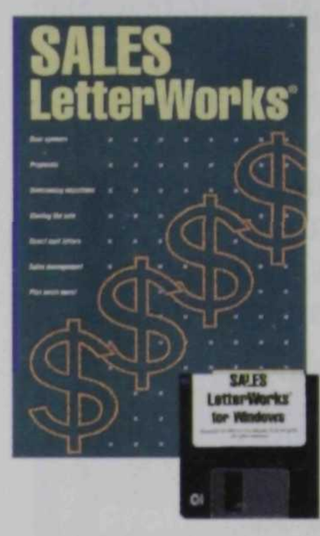
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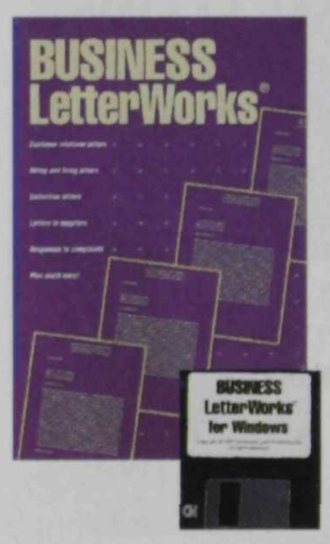
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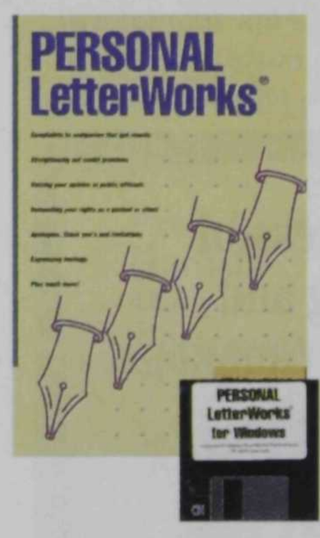
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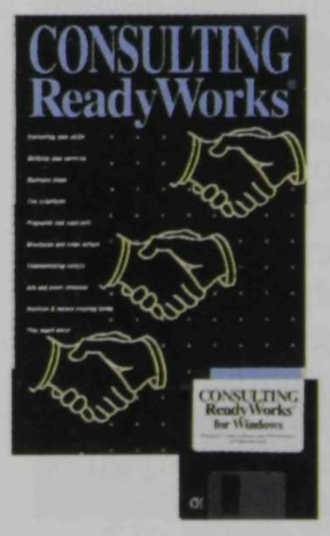
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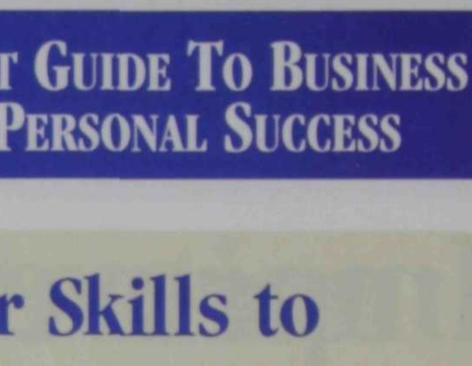
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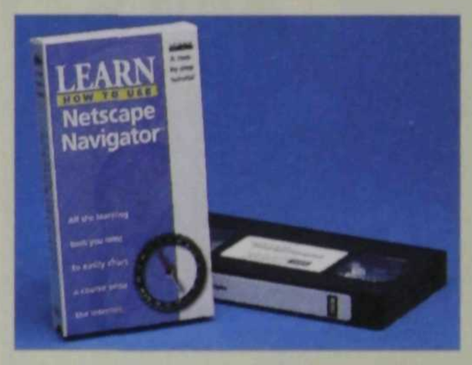
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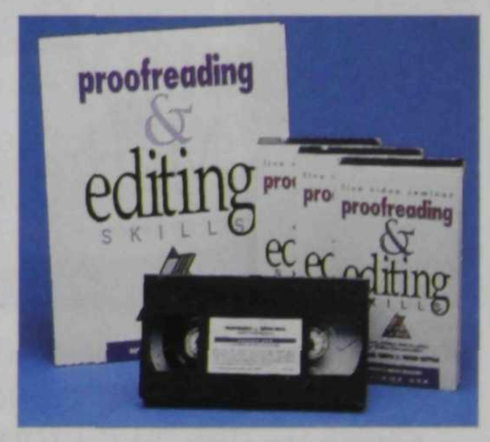
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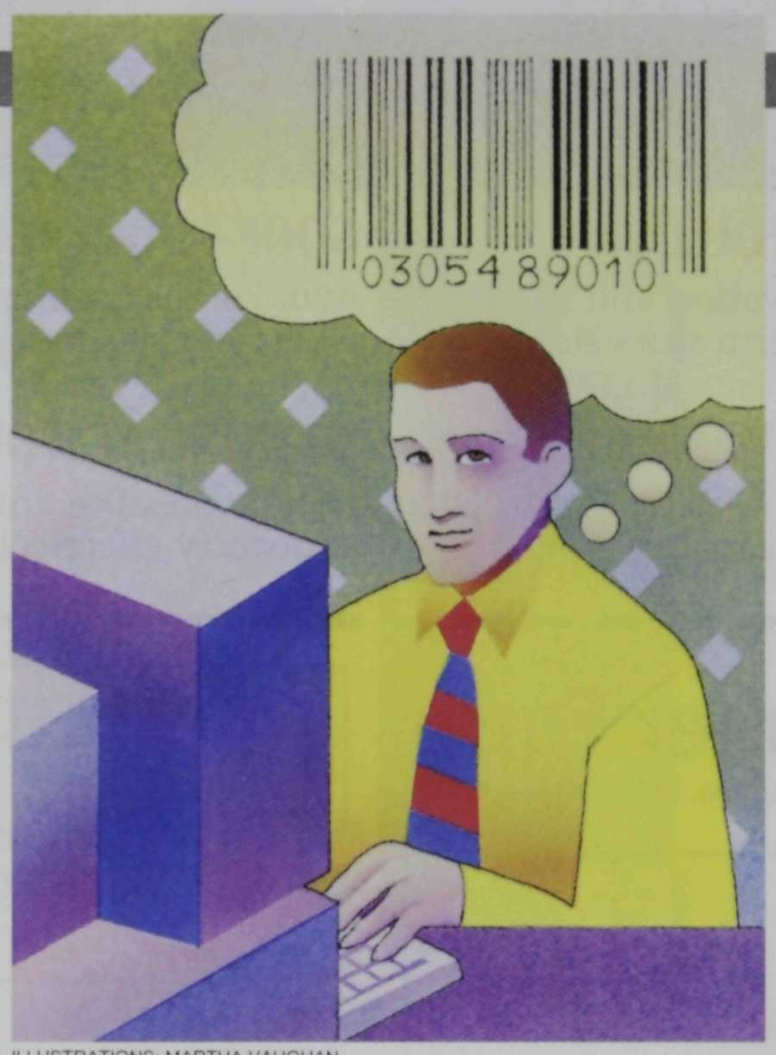
By Cara Hersh

INVENTORY

Breaking The Code

I am an office manager for a small computer-software company and am looking for information on the Universal Product Code (UPC) labels that are printed on packages to be scanned for inventory control, pricing, and other purposes.

What should I know about UPC symbols, and how do I obtain them?
N.N., Huntsville, Ala.



ILLUSTRATIONS: MARTHA VAUGHAN

The familiar bar code found on almost every retail product was first adopted by the grocery industry in 1973 so that laser scanners could automatically identify products at checkout stands. Today, the system has been adopted by specialty stores and by manufacturers, distributors, and retailers in many other sectors of the economy.

Many retailers require UPC labels on products to help them track inventory and sales. And the UPC system can help small manufacturing businesses such as yours keep track of inventory more efficiently.

Each code—a patterned series of vertical bars of various widths that are translated into numbers by the scanner—identifies only one item. Six numbers of the code denote individual manufacturers, distributors or retailers, while five other numbers identify individual products. The 12th number is a "check character" for verifying that the code has been printed correctly.

To obtain a UPC symbol, contact the Uniform Code Council, in Dayton, Ohio. The council, a nonprofit corporation, administers the UPC system and is the central management and information center for manufacturers, distributors, and retailers participating in the system.

You will need to fill out an application and mail the council a membership fee. Fees are based on a company's domestic sales volume for its most recent fiscal year.

For example, a business with sales of up to $2 million pays a one-time membership fee of $300. Businesses with sales between $2 million and $5 million pay $800, and those with sales between $5 million and $50 million are charged $1,500. Fees are listed on the application.

The application process takes about 15 days. Companies then are assigned a six-digit identification number, and they in turn must assign a five-digit number to each of their products. Company managers should inform production, distribution, marketing, and accounting personnel of the company's UPC numbers and details of how the numbers will be used.

Finally, you need to affix the UPC symbol to your product. The Uniform Code Council can furnish you with a list of providers who can make a print negative of your symbol. Each negative usually costs $20 to $40.

For more information, contact the Uniform Code Council at (513) 435-3870. ■

GETTING STARTED



What's In Storage?

I am interested in starting a self-storage business. Where can I find information to help me?
D.T., Apopka, Fla.

Mini-Storage Messenger, a monthly trade magazine, is free to members of the Self Storage Association, in Cincinnati. A nonmember can subscribe for $49.95 a year; call the publisher, MiniCo, Inc., of Phoenix, at 1-800-528-1056. To contact the association about membership ($325 a year) or to obtain a list of industry suppliers ($14.95), call (513) 984-6468 or go to the firm's World Wide Web site at *http://www.selfstorage.org*

Lighting Up

I would like to sell candles, candleholders, and accessories. Can you help me find related trade shows?
K.K., Minotola, N.J.

Giftware trade magazines contain manufacturers' advertisements and include trade-show dates and locations. A subscription to the journal *Gifts and Decorative Accessories* costs $39 for 12 issues plus an annual buyers directory. Call (212) 689-4411. The monthly *Giftware News* costs $34 a year. Call (312) 849-2220 or contact the National Candle Association, in Washington, D.C., at (202) 393-1780.

On The Midway

I need information on setting up a vending wagon or booth to sell funnel cakes at various fairs and festivals in my area.
M.S., Wichita, Kan.

Amusement Business magazine sells a publication, *International Amusement Industry Buyers Guide*, for $55. The manual, published each October, lists manufacturers, importers, and suppliers of equipment and supplies for food-and-beverage vendors. To order the guide, call (615) 321-4251. Be sure to contact your local health department to research requirements for obtaining a state food-vending license. You can contact the Wichita Health Department at (316) 268-8391. ■

HOW TO ASK

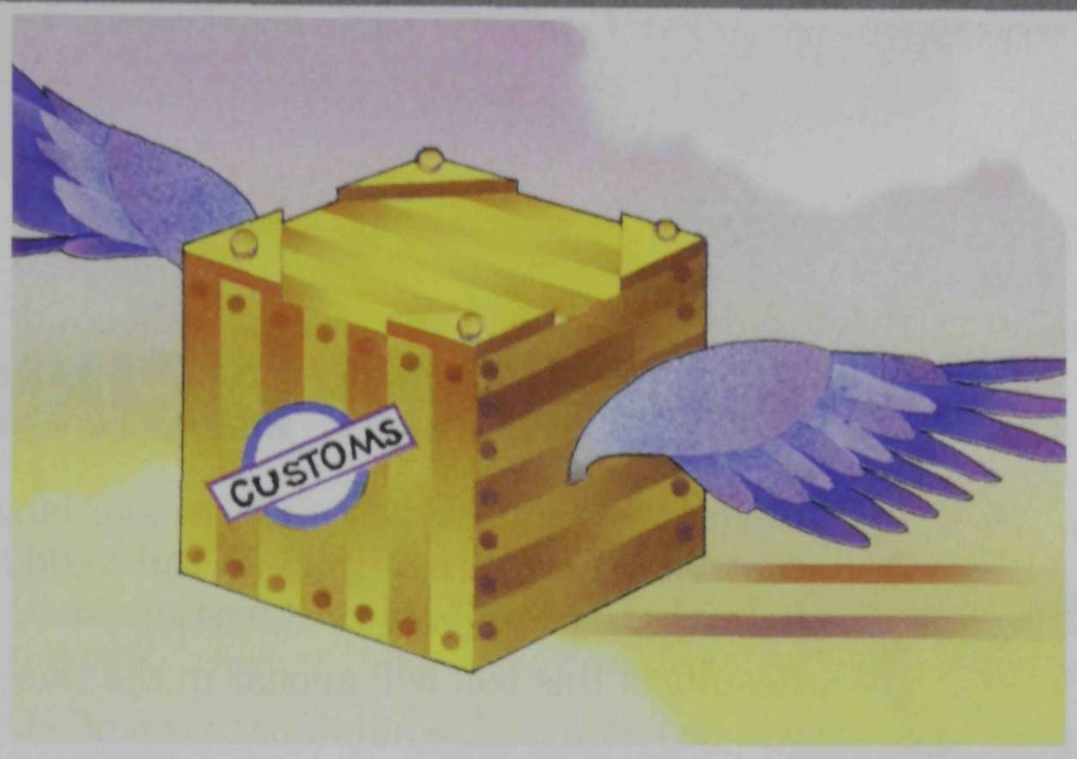
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Because of the high volume of letters, we can answer only those that are chosen for publication. Questions may be condensed, and writers will be identified only by initials and city.

RETAILING

Assistance For Importers

I am a retailer of handmade crafts, accessories, and home furnishings. How can I ship handcrafted primitive art and folk art from Mexico and Costa Rica into this country?
M.M., Cedarburg, Wis.
(A similar question was received from M.R., Concord, Calif.)



L. Fargo Wells, in his book *Selling to the World: Your Fast and Easy Guide to Exporting and Importing*, advises that you should address matters of shipping before you make any purchases abroad. "For some products, licenses or advance permits must be obtained before you can clear customs. ...You should know these special circumstances before you make a firm commitment to buy."

Customs brokers—professionals familiar with U.S. Customs Service regulations—can help with the details of getting your merchandise across the border. They can assist you in tabulating customs fees and duty rates, determining how shipments should be labeled, and ascertaining whether any of your imports are prohibited from entering the country.

Joseph Zodl, a veteran importer and author of *Export Import*, says customs brokers are "like travel agents for freight." However, both Zodl and Wells emphasize that the importer is legally responsible for any goods shipped.

Brokers must be licensed; they undergo a character investigation and are required to pass an exam on customs law. Their fees vary depending on content, origin, and destination of products shipped.

Generally, though, you can expect to pay a broker between $50 and $100 if the value of your shipment is under $12,500 and between $100 and $150 if its value is over $12,500. Be as thorough in choosing a broker as you would in selecting a lawyer or an accountant, Zodl suggests.

For help in shipping your product, look to freight forwarders. These shipping companies often work in tandem with customs brokers. Zodl says a forwarder that has international offices in the country from which you are importing may offer the best service.

Freight forwarders usually charge the shipping cost plus a 20 to 30 percent markup.

You can obtain a list of customs brokers at any U.S. Customs Service office.

Freight forwarders and brokers can be found in the Yellow Pages.

For more information on importing, you can order the Customs Service's $6.50 booklet *Importing Into the United States* by calling (202) 512-1800.

Wells' *Selling to the World: Your Fast and Easy Guide to Exporting and Importing* costs $16.95 and is available from the publisher, McGraw-Hill, by calling (212) 337-5026.

Zodl's *Export Import* costs $16.99; call the publisher, Betterway Books, at 1-800-289-0963 to order. NB

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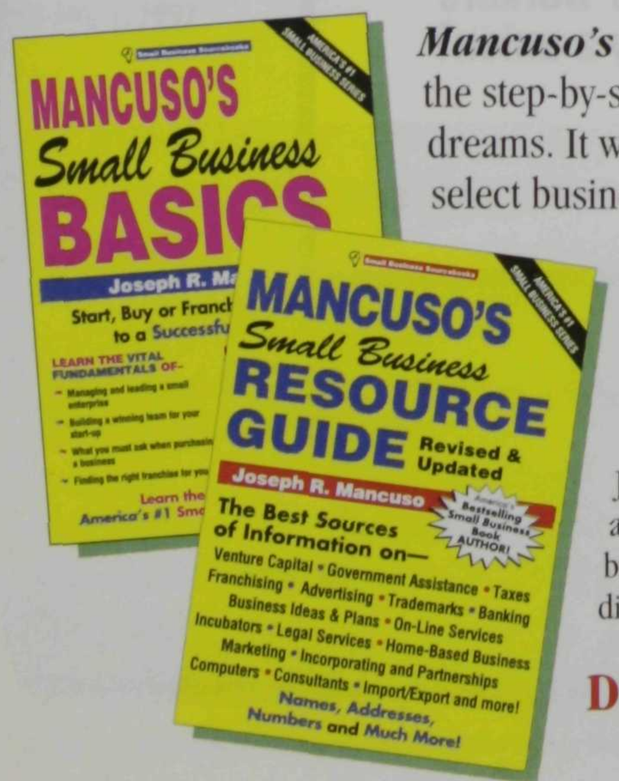
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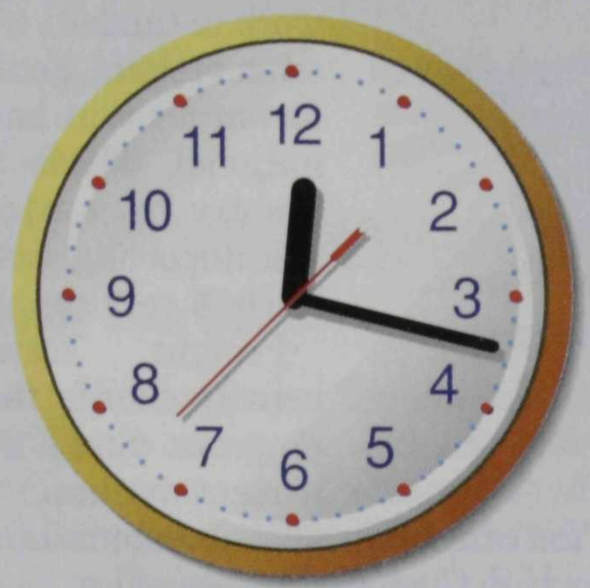
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Where I Stand



On Labor Issues

Revision of some of the nation's major labor laws was sought in the Republican-controlled Congress of 1995-96 and could be a major topic for the new Congress to be elected Nov. 5. These questions seek your views on this subject.

Results of this poll will appear in the December issue of *Nation's Business* and will be forwarded to administration officials and congressional leaders. Send the attached, postage-paid Reader Response Card. Or circle your answers and fax this page to (202) 463-5636.

1 **What labor-law reform is most important to you?**

1. Granting time off, if an employee prefers it, in lieu of overtime pay
2. Permitting formation of employer-employee teams to deal with workplace issues
3. Allowing bonuses for workers without having to recalculate their pay rates and overtime pay received
4. Being permitted to reject union organizers as employees
5. Other

2 **How frequently do your hourly employees request compensatory time off in lieu of overtime pay?**

1. Often
2. Sometimes
3. Never
4. Not applicable

3 **How much have your employees used the Family and Medical Leave Act, which allows workers to take up to 12 weeks of unpaid leave a year for the birth or adoption of a child or to deal with a serious illness of the employee or a family member?**

1. A substantial amount
2. A moderate amount
3. Little
4. None

4 **Do you think reform of the comp-time laws would lead to less use of the Family and Medical Leave Act?**

1. Yes
2. No

5 **Are any of your workers represented by a union?**

1. Yes
2. No

Send Your Response Today!

POLL RESULTS

Readers' Views On Hiring

Employment for experienced, able workers is available, and vacancies generally don't go unfilled for very long, according to a *Nation's Business* poll of readers.

Just over half of the respondents to the Where I Stand poll in the August issue said that jobs in their firms remain vacant for less than a month, while one-third of the respondents said vacancies in their businesses remain unfilled for one to three months.

Almost half of the respondents reported having enough job applicants. More than half said their employees come from other jobs in business and government.

By large majorities, respondents voiced dissatisfaction with the quality of job applicants and indicated that the quality had declined in the past three years.

Also, a majority of respondents said that the recently enacted increase in the federal minimum wage, effective Oct. 1, would have no impact on their business.

Here are the complete results of the poll:

ON HIRING

Do you generally have enough job applicants?

Yes	48%
No	52

How long does a job in your firm usually remain vacant?

Less than a month	52%	Three to six months	9%
One to three months	35	More than six months	4

From where do most of your employees come?

Other jobs in business or government	56%
Right out of high school or college	16
The unemployment rolls	28

Are you satisfied with the quality of job applicants?

Yes	23%
No	77

Have prospective employees gotten better or worse in the past three years?

Better	10%	No change	29%
Worse	61		

In what areas are job applicants weak? (Check all that apply.)

Specific technical skills	37%	Basic communication skills	54%
Basic reading and math skills	45	Attitude and work habits	68

What job aspect seems to concern applicants most?

Salary level	75%	Promotion opportunities	6%
Duties	15	Workplace location	4

How would a higher federal minimum wage affect your firm? (Check all that apply.)

Company would hire fewer workers	27%
Pay rates for jobs above the minimum wage would rise	22
Job openings would attract better applicants	2
No impact	57

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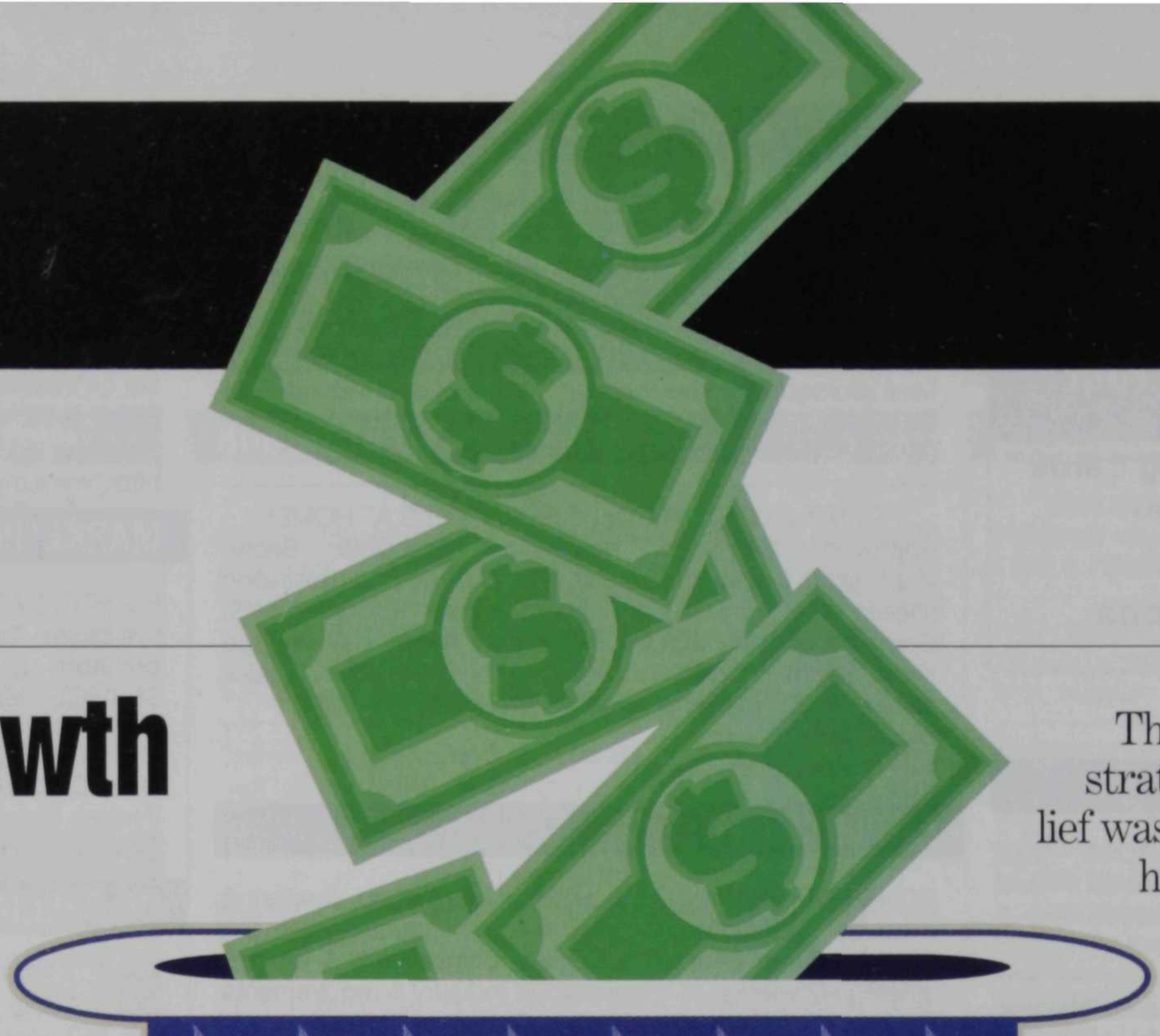
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Editorial



Federal Income-Tax Collections, 1977-2002

Total Revenue From Individual Income Taxes (In Billions)



SOURCE: HISTORICAL TABLES, BUDGET OF THE UNITED STATES GOVERNMENT, FISCAL YEAR 1997

Making Growth A Priority

Ronald Reagan took office in 1981 pledged to revitalize a faltering economy. He recognized that the prevailing tax burden—the top rate was 70 percent—undermined incentives to work, invest, and start or expand job-creating businesses.

The tax cuts that Congress enacted under his leadership—the marginal income-tax rate was cut more than half—launched the nation's longest peacetime economic expansion. Employment and wages soared. Businesses were started at a record rate. Inflation declined drastically. Growth averaged nearly 4 percent for the Reagan years.

But as the '80s turned into the '90s, taxes began climbing, and the economy slowed.

Today, Americans are concerned about economic trends. And another presidential candidate is offering tax relief as the most effective way to restore robust economic expansion. Republican nominee Bob Dole proposes a 15 percent reduction in income-tax rates, a tax credit of $500 per child, a 50 percent reduction in the capital-gains tax, repeal of the 1993 increase in taxes on Social Security benefits, and expansion of opportunities for investing in individual retirement accounts (IRAs).

Declaring that the Clinton administration is projecting growth through the end of this decade "at an incredibly lackluster 2.3 percent," Dole said: "We must commit ourselves to a far more ambitious path that puts growth—expanding opportunity, rising incomes, soaring prosperity—at the heart of economic policy."

President Clinton has rejected broad tax relief along the lines of the 15 percent Dole cut, although the administration's own projections show sufficient room in income-tax collections (see chart) for reductions in individual burdens and for overall growth. The president's limited list of narrowly targeted recommendations includes a $500-per-child credit, as does Dole's plan, plus credits and deductions for college expenses and capital-gains relief restricted to home sales.

The Republican candidate's strategy of vastly broader tax relief was reinforced when he chose as his running mate a principal architect of the Reagan economic program and one of the nation's most enthusiastic advocates of growth policies—Jack Kemp. The current tax system, Kemp says, is "anti-growth, anti-family, anti-entrepreneurial" because of its "biases against work, savings, and investment."

Clinton and other Democrats who oppose Dole's plan for changing that system claim that the tax cuts of the 1980s caused the deficits that marked the Reagan era.

But the tax relief wasn't responsible. As Reagan promised, federal revenues soared—up 50 percent over his two administrations. But outlays went up 57 percent over the same period because Congress refused to curb spending.

Dole couples tax relief with "balancing the budget with a Republican Congress and finishing the job Ronald Reagan started so brilliantly but could not complete because the Democrats refused as usual to reduce spending."

In addition to the deficit argument, Clinton insists that Dole's premise of an economy failing to live up to its potential is wrong. But tax-cut advocates challenge the administration's boast of economic well-being. They include Malcolm S. "Steve" Forbes Jr., who gained national visibility in the race for the GOP presidential nomination with his message of "hope, growth, and opportunity."

Addressing an audience in the Washington headquarters of the U.S. Chamber of Commerce recently, Forbes said the Clinton expansion "is the worst this country's had in over 50 years." He pointed out that annual growth has historically averaged 3 to 3.5 percent, compared with the level of the Clinton administration.

Had recent growth been at the historic levels rather than the "anemic" figures of the Clinton period, Forbes said, "a typical American family today would have $3,000 to $4,000 more ... in their budget than what they have today."

Those families should be highly responsive to economic policies that offer both higher income and greater opportunity. And there's no question that businesses would be. NB



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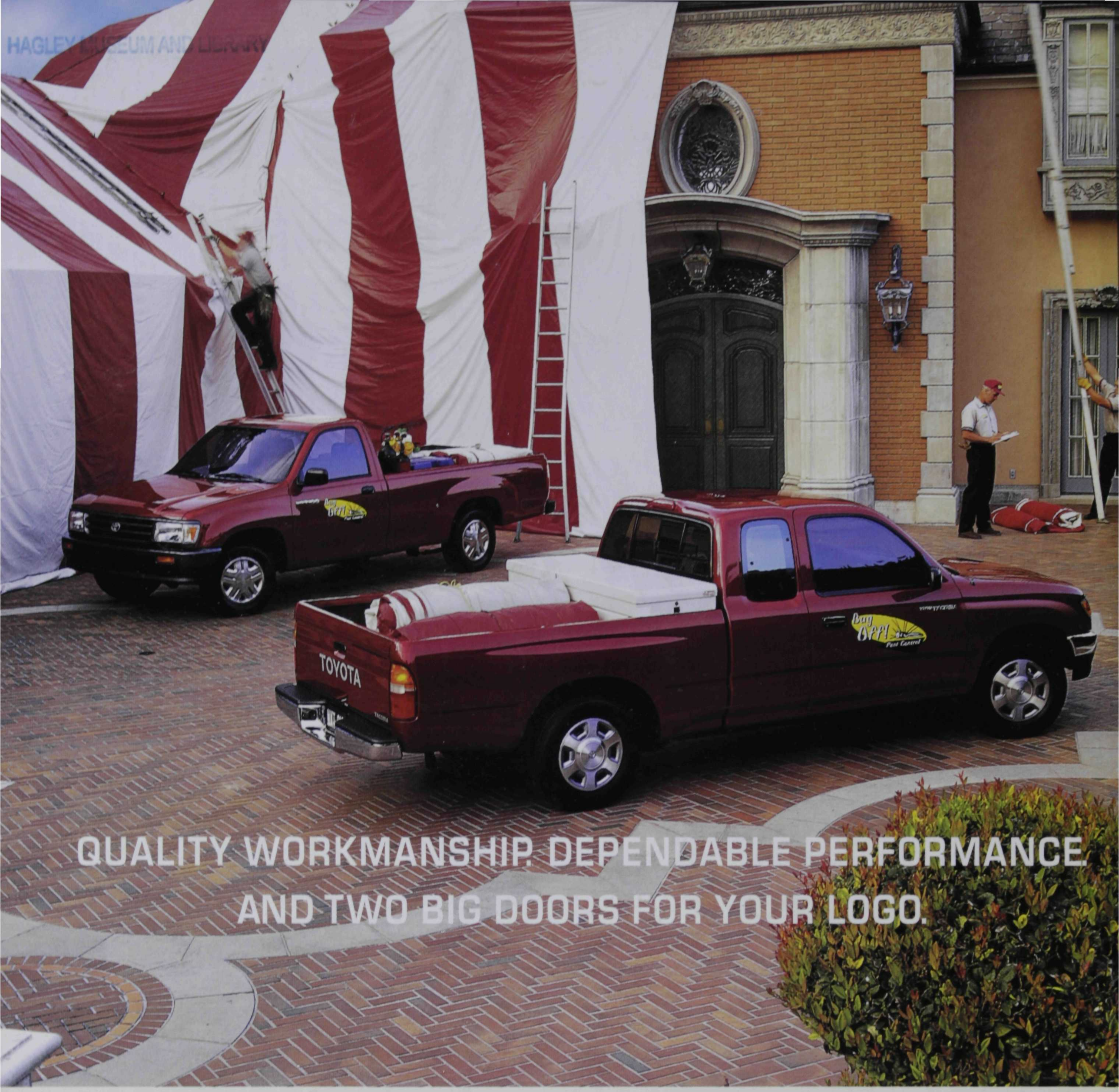
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The Business Advocate

SUPPLEMENT TO Nation's Business OCTOBER 1996

Published By
U.S. Chamber of Commerce

CHAMBER VICTORIES

Historic Welfare Reforms ENACTED

Beneficial Changes To Health Insurance ENACTED

Increased Taxpayer Rights ENACTED

Adding to its string of legislative successes, the U.S. Chamber of Commerce won four important battles recently on behalf of business.

Passed by Congress and signed by President Clinton in late July and early August were bills to:

- Overhaul the federal welfare system.
- Reform the nation's health-care policies.
- Protect taxpayers from unwarranted actions by the Internal Revenue Service.
- Update a key food-safety law.

Small-business tax and pension reforms backed by the Chamber also were enacted, but they were attached to a bill that raises the minimum wage. The Chamber strongly opposed the increase.

See results of National Business Agenda Survey, Page 7A.

Continued on Page 3A

Retirement Plans For Small Firms

Edward C. "Ned" Johnson III, left, chairman of the board and chief executive officer of Fidelity Investments, and U.S. Chamber President Richard L. Lesher met recently to discuss the retirement plans their organizations are now offering jointly to small firms. For more information on the plans, call toll free 1-888-RET-PLAN (1-888-738-7526).



■ Honors

Blue Chip Deadline Is Oct. 25

If you haven't considered applying for the Blue Chip Enterprise Initiative, you have just a little longer to do so.

The deadline for applications is Oct. 25.

The Blue Chip program recognizes small firms nationwide that have overcome adversity and emerged stronger. If your business has overcome a threat to its survival in recent years, it may be a candidate for 1997 honors.

The program is sponsored by Massachusetts Mutual Life Insurance Co. (widely known as MassMutual—the Blue Chip Company), the U.S. Chamber of Commerce, and *Nation's Business*.

As many as 200 companies are selected annually as state or regional Blue Chip Enterprises. The four most exemplary are honored as national Blue Chip Enterprises.

"First Business," the weekday business-news television program of the U.S. Chamber, broadcasts profiles of state honorees each week.

For an application or more information on the program, call 1-800-FOR-BCEI (1-800-367-2234).

■ Tracking Spending

Schools Adopt Software

As the school year moves into full swing nationwide, school districts in 15 states will be using new expenditure-tracking software developed by the accounting firm of Coopers & Lybrand and the Center for Workforce Preparation, the U.S. Chamber of Commerce's nonprofit education affiliate.



The computer software—In$ite, The Finance Analysis Model for Education—is the first of its kind and is designed to help schools determine how money for education is spent.

The program can track expenditures for individual schools or entire school districts. Spending can also be tracked by functions, such as instruction, instructional support, and operations, and by specific educational programs.

Since the software's development in early 1995, it has been tested in several states.

Rhode Island and South Carolina are using the program statewide. States in which at least one school district is using the software are Arkansas, Georgia, Illinois, Iowa, Maryland, Missouri, Nebraska, New Jersey, Oregon, Pennsylvania, Texas, Utah, and Wisconsin.

Meanwhile, the Center for Workforce Preparation is working with 3,000 state and local chambers and individual businesses to generate broader community support for the finance-tracking program.

The program's cost, which includes supporting, operating, and training documentation, is $2,500 per school district.

For more information about the software and how you can generate support for it in your community, call Larry Maloney at the Center for Workforce Preparation at (202) 463-5525.

■ Pro-Business Candidate



Rep. J.C. Watts, R-Okla., left, talks with Bruce Josten, U.S. Chamber senior vice president for membership policy, before a candidate "meet and greet" session at the federation's headquarters. Watts, who is running for re-election in his Oklahoma district, had a 100 percent pro-business record on votes selected for the Chamber's *How They Voted* ratings in 1995.

■ Training Help

Small-Company Resources



To learn about resources available from the U.S. Chamber of Commerce's Small Business Institute, call 1-888-USCC-SBI (1-888-872-2724). Ask for a free copy of the institute's catalog.

The institute was created in September 1995 to meet the need for a simple, inexpensive way to help small-business owners and their employees understand the many aspects of operating a small business. The catalog lists training and education books, audio programs, videotapes, and software that help meet this goal.

■ Victories

Chamber Helps Win Changes

Continued from Page 1A

The recent Chamber victories followed enactment in late March and early April of a presidential line-item veto; a strengthening of the Regulatory Flexibility Act, which requires an analysis of new government rules before they are implemented; a new farm bill; and a measure that allows senior citizens to earn more income before they begin losing Social Security benefits.

Here's a summary of the Chamber-backed legislation.

Welfare Reform

The new law revamping the 61-year-old welfare system was one of the Chamber's highest priorities and represents the organization's biggest legislative win of the year. The Chamber viewed welfare reform as a critical element in its long-term effort to reduce federal spending.

The House approved the legislation July 31 on a 328-101 vote, and the Senate passed it 78-21 on Aug. 1. Clinton signed the bill into law Aug. 22.

The statute turns over to the states, through block grants, several key federal welfare programs.

The law requires most able-bodied adults to find work within two years after they begin receiving benefits and limits lifetime welfare benefits to five years. Previously, there were no limits.

The legislation, which is expected to save taxpayers $55 billion over six years, also allows states to deny welfare benefits to unwed teenage mothers unless they live at home and attend school. States also can deny benefits to children born to welfare recipients.

Health Care

The new health-insurance-reform law, also a top Chamber priority, was signed by the president Aug. 21.

The House had approved the measure Aug. 1 by a vote of 421-2, and the Senate had approved it Aug. 2 by a vote of 98-0.

The new law makes it easier for small businesses to offer health-care coverage to their employees. It does so by requiring insurers who sell coverage in a particular small-group market to offer plans to all small firms—generally, employers with two to 50 workers—in that market. In addition, it allows workers to carry their health insurance from job to job.

Among other things, the new law will:

■ Limit the use of pre-existing-condition exclusions by insurers to deny coverage to people with health problems.

■ Require insurers to renew most policies.



Rep. E. Clay Shaw Jr., R-Fla., right, unveiled his welfare-reform bill at the U.S. Chamber in February 1995. Legislation with some similarities to Shaw's bill was enacted recently. At left is Chamber Vice President Jeffrey H. Joseph.

■ Increase in the year 2006 the health-insurance tax deduction for the self-employed and unincorporated businesses to 80 percent from the current 30 percent.

The deduction will increase to 40 percent in 1997, 45 percent in 1998, 50 percent in 2003, 60 percent in 2004, and 70 percent in 2005.

■ Allow by 1999—on a phased-in basis—750,000 individuals to establish tax-free medical savings accounts (MSAs) to pay for medical expenses.

Only workers in companies with 50 or fewer employees, the self-employed, and uninsured individuals will be eligible to enroll in MSA plans.

Taxpayer Bill Of Rights

The new statute expanding the rights of taxpayers in dealing with the IRS was signed into law July 30.

The House approved the Chamber-backed bill—known as the Taxpayer Bill of Rights II—by a vote of 425-0 on April 16, and the Senate passed it by voice vote July 11.

The statute is an extension of a taxpayer bill of rights provision enacted in late 1988. The new taxpayer-protection act:

■ Establishes a taxpayer-advocate office within the IRS to help resolve disputes between taxpayers and the agency.

■ Increases to $1 million from $100,000 the maximum amount a taxpayer can collect in damages from the IRS if a court determines that the agency has recklessly or intentionally disregarded laws or regulations in dealing with the taxpayer.

■ Allows taxpayers who prevail in disputes with the IRS to recover attorneys' fees and other court costs unless the agency can prove that its position was "substantially justified."

To recover such costs under current law, the burden is on the taxpayer to prove that the IRS's position is "not substantially justified."

■ Requires the IRS to notify a taxpayer 30 days in advance of changing or terminating an installment agreement between the agency and the taxpayer on the payment of late taxes.

Food Safety

The new food-safety law signed by Clinton Aug. 3 modernizes the so-called Delaney Clause of the Federal Food, Drug and Cosmetic Act, a move long sought by the Chamber.

The House approved the legislation 417-0 on July 23, and the Senate passed the bill July 24 by voice vote.

The Delaney Clause, adopted in 1958, bars any trace amount of a food additive or residue of a pesticide in processed food if the substance has been found to cause cancer in laboratory animals. But most scientists agreed that this "zero-risk" standard is obsolete because of advances in quantitative laboratory analyses since the measure was enacted.

The new law substitutes a "negligible"

Continued on Page 4A

■ Small Firms' Rise





At the left, U.S. Chamber President Richard L. Lesher signs a copy of his book, *Meltdown On Main Street*, for a customer at the Trover Shop bookstore on Capitol Hill. Above, Lesher discusses his book, which describes the rising legislative influence of small businesses and the regulatory climate that encouraged greater business activism, with Jim Bohannon on "The Jim Bohannon Radio Show." To order the book, call the publisher at 1-800-253-6476.

■ Elections

Owners Urged To Back Voting

Employers and employees must register to vote and cast ballots Nov. 5 if business is to continue the legislative progress it made in the 104th Congress, says the U.S. Chamber of Commerce.

The Chamber is urging employers to get more involved in the political process and to encourage their employees to vote in the upcoming elections.



At stake this year at the federal level will be the White House, 34 Senate seats, and all 435 House seats.

In its get-out-the-vote campaign, the Chamber is providing its members with envelope stuffers and camera-ready artwork reminding employees to register and to vote. The materials are available to U.S. Chamber members at cost, plus shipping and handling. They can be ordered by calling 1-800-638-6582 between 9 a.m. and 4:30 p.m. Eastern time Monday through Friday. In Maryland, call 1-800-352-1450.

This year's elections are particularly important because gains in the number of pro-business lawmakers that were achieved in the 1994 elections are at stake. Many of these legislators are being targeted for defeat by the AFL-CIO and other groups.

For a complete listing of pro-business candidates endorsed by the U.S. Chamber of Commerce, see Pages 12A, 13A, and 14A.

■ Victories

Business Achieves Gains

Continued from Page 3A

or "insignificant" risk standard—a 1-in-a-million chance of getting cancer—for the current zero-risk standard. The change will allow use of chemicals that pose insignificant cancer risk but offer huge health benefits in other areas, such as protecting food from harmful bacteria.

Tax, Pension Changes

The new law that includes both the Chamber-backed tax changes and the minimum-wage increase that was strongly opposed by the Chamber is the Small Business Protection Act of 1996. (For details on the minimum-wage increase, see Page 5A.)

The tax portion of the statute:

■ Raises to $25,000 from $17,500 the amount that small businesses can deduct in the first year after purchase of capital equipment. The so-called expensing threshold will be increased gradually over six years, starting Jan. 1.

■ Extends several tax provisions that have expired in recent years, including the research and experimentation credit, the tax break formerly called the Targeted Jobs Tax Credit, and the income exclusion for employer-provided educational assistance.



U.S. Chamber member Peter Kelly urged a congressional panel to adopt pension reforms, some of which were recently enacted.

The research and experimentation credit, which expired June 30, 1995, is extended from July 1, 1996, through May 31, 1997. Businesses may take a 20 percent credit against taxes owed for certain qualified research costs that exceed a base amount.

The jobs-tax credit, renamed the Work Opportunity Tax Credit, will allow employers to take a credit of up to 35 percent of the first-year wages paid to workers from certain disadvantaged groups. The credit expired Dec. 31, 1994. It is reinstated from Oct. 1, 1996, through Sept. 30, 1997.

Under the employer-provided educational assistance exclusion, which expired Dec. 31, 1994, and which is extended from Jan. 1, 1995, through May 31, 1997, employees can receive up to $5,250 exempt from income tax for education expenses.

■ Expands the eligibility rules for forming and maintaining Subchapter S corporations by, for example, increasing to 75 from 35 the number of individuals allowed to own shares.

■ Changes current pension laws to make it easier for small firms to set up and maintain retirement plans for their employees.

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■ Defeat

Minimum Wage Rises Oct. 1

Despite strong opposition from the U.S. Chamber of Commerce, Congress passed and President Clinton signed into law legislation to raise the federal minimum wage.

The House approved a House-Senate compromise bill Aug. 2 by a 354-72 vote, and the Senate approved it the same day by 76-22. Clinton signed the bill Aug. 20.

The legislation raises the current minimum wage of $4.25 an hour by 90 cents in two stages. The rate goes to $4.75 on Oct. 1 and to $5.15 on Sept. 1, 1997.

The Chamber maintained its stand against hiking the wage rate even after it became clear that congressional proponents of the increase had the votes to pass a bill. The Chamber cited studies showing that increases in the minimum wage result in job losses and push all wages higher, thereby contributing to inflation.

The minimum-wage bill was attached to a package of tax provisions and pension-rule changes designed to help small businesses. (For details on the package, see the story beginning on Page 1A.)

Also included in the legislation was a Chamber-backed provision that makes it clear that employers are not required to pay their workers for time spent commuting between home and a job site in an employer-provided vehicle.

■ Pay Rules

Overtime Bill Pending

The U.S. Chamber of Commerce is asking its 220,000 members to call their senators immediately and urge them to consider a bill that would give private-sector workers the flexibility to choose compensatory leave in lieu of pay for overtime work.

A measure to amend the Fair Labor Standards Act (FLSA) to allow employers to offer employees compensatory time off for overtime work is awaiting Senate floor action. The House approved a similar bill July 30 on a 225-195 vote.



Sen. John Ashcroft's bill would allow workers to take compensatory leave in lieu of overtime pay.

The FLSA requires payment of overtime amounting to time and a half for each hour over 40 worked in a week by hourly employees. The law, adopted in 1938, also contains other wage-related requirements.

The Senate bill, sponsored by Sen. John Ashcroft, R-Mo., would allow employers to grant hourly workers time off—provided the workers consent—rather than immediate pay for overtime work. Compensatory leave would accrue at the rate of 1.5 hours for each hour of overtime worked. The similar House bill was sponsored by Rep. Cass Ballenger, R-N.C.

Support For Comp Time

A recent poll conducted by the research firm Penn & Schoen Associates, of New York and Washington, D.C., found that 75 percent of the American public favors allowing hourly employees to choose between receiving time and a half in wages or equivalent time off with regular pay.

The poll was conducted for the Employment Policy Foundation, a Washington-based organization that does research and education on labor issues.

A survey conducted in 1995 by the Women's Bureau of the U.S. Department of Labor found that the top concern of working women is flexibility in work schedules.

Labor Opposes Legislation

Organized labor, however, asserts that if the Ballenger and Ashcroft legislation were enacted, some employers would coerce workers into taking comp time in lieu of overtime pay. The legislation would mark the beginning of the end of the 40-hour workweek, the unions argue.

Congress provided federal and other public-sector employers with the compensatory-time option in 1985.

Call your senators immediately and urge them to support the comp-time bill if it has not already been considered by the time you receive this publication. Lawmakers may be reached through the Capitol switchboard at (202) 224-3121.

■ Chamber Officers

Nominating Panel Elected

The committee that will nominate the 1997-98 officers of the U.S. Chamber of Commerce has been elected by the Chamber's board of directors.

Committee members include Donald W. Dorr, owner, Buchen, Wise & Dorr, Hanover, Pa.; Paul E. Glaske, chairman, president, and CEO, Blue Bird Corp., Macon, Ga.; and David R. Goode, chairman, president, and CEO, Norfolk Southern Corp., Norfolk, Va.

The panel also includes William G. Little, president, Quam-Nichols Co., Inc., Chicago; William C. Marcil, president and CEO, Forum Communications Co., Fargo, N.D.; Carol A. Rae, senior vice president/external affairs, Chiron Vision Corp., Claremont, Calif.; and C.J. Silas, retired chairman and CEO, Phillips Petroleum Co., Bartlesville, Okla.

Others are Kelly N. Stanley, president and CEO, Ontario Corp., Muncie, Ind.; William R. Toller, retired chairman and CEO, Witco Corp., Greenwich, Conn.; and Lawrence J. Ybarrondo, CEO and chairman, SCIENTECH, Inc., Idaho Falls, Idaho.

The committee will nominate directors to fill terms that begin in 1997, plus interim vacancies. U.S. Chamber members may submit their recommendations for candidates for directorships. Contact Mary Stranova at (202) 463-5335 to request a recommendation form. The deadline for recommendations is Nov. 6.

The Economy

Companies' Confidence Up Slightly

Business's confidence in the economy edged up slightly in August, according to the U.S. Chamber of Commerce's latest poll of its members.

The Business Confidence Index, which is based on the Chamber's bi-monthly Business Ballot poll, rose to 54.8 in August from 54.3 in June. (See the chart.)

The widely reported index is based on responses to three economic-outlook questions asked on each Business Ballot. The ballot also asks questions about other timely issues, such as legislation pending in Congress. It is included in the polybag with *The Business Advocate* and *Nation's Business* every other month.



"The Business Confidence Index edged up slightly in August but failed to make up the ground it lost in June. As such, the index is consistent with our expectations that the economy will slow somewhat in the second half from its rapid first-half pace," said Martin A. Regalia, chief economist for the Chamber.

In the most recent poll, 21.6 percent of the respondents said they expect the economy to improve over the next six months. That was down from 22.8 percent in June.

The percentage of respondents who believe the economy will get worse took a big jump, with 30.6 percent expecting economic growth to subside over the next six months compared with 25.3 percent in June. Just under 48 percent said they expect no change in the economy.

Respondents remain optimistic about the outlook for their own firms, with 43.8 percent saying they expect sales to increase over the next six months. Only 17 percent said they expect sales to decrease, while 39.2 percent expect no change.

In June's poll, 38.1 percent expected sales to go up, 18.2 percent expected them to go down, and 43.7 percent did not foresee any change.

Be sure to respond to this month's Business Ballot on the economic outlook and on the federal budget and taxes.

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Compensation Poll

Firms Want Flexibility

The overwhelming majority of business owners responding to the latest U.S. Chamber of Commerce poll said they want to be allowed to offer their employees various pay options and work schedules.

Current labor laws dictate how employers must compensate certain workers. Chamber members expressed their views on those laws in the August Business Ballot poll.

More than 88 percent said that employers should be allowed to give workers time off in lieu of pay as compensation for working overtime. Current law mandates that hourly employees be paid time and a half for each hour over 40 worked in one week.

Legislation recently approved in the House and pending in the Senate would amend the Fair Labor Standards Act to allow employers to offer compensatory leave in lieu of overtime pay. (For details, see Page 5A.)

A majority of respondents to the Chamber poll—85.8 percent—said that an employer and a full-time worker should be able to agree that compensation for hours worked beyond 40 in a week would be at the regular rather than the overtime rate as long as the hours per week over a certain period averaged no more than 40. Employees who work 50 hours one week and 30 hours the next, for example, would not be paid overtime for the first week.

On a separate issue, 95.2 percent of the respondents said that employers should be allowed to give hourly workers bonuses without having to increase workers' previous overtime pay as a result of the bonuses.

Under current law, employers must recalculate workers' hourly wage rates by including the bonus pay, then pay that new hourly wage at time and a half for each hour worked over 40 in a week. For a worker who received an $80 bonus, for example, the employer would have to pay that employee an additional 50 cents an hour for overtime worked—the $80 bonus divided by 40 hours.

GAIN UPDATE
GRASSROOTS ACTION INFORMATION NETWORK
U.S. Chamber of Commerce Federation

Chamber Members Make Priorities Known

Balancing Federal Budget Is Ranked Most Important Among Policy Issues

Balancing the federal budget should be the No. 1 legislative priority of the U.S. Chamber of Commerce, according to the business federation's members.

Chamber members indicated their legislative priorities for next year through the National Business Agenda survey, which was sent to the business federation's 220,000 members in mid-June with *The Business Advocate* and *Nation's Business*. (The complete results of the survey begin below.)

Last year the Chamber devoted considerable time and resources to urging adoption of a proposal that would balance the federal budget by 2002 by reducing the growth rate of spending. The Republican-controlled Congress passed such a measure, but President Clinton vetoed it late last year.

Lawmakers hope to approve a comparable budget bill covering fiscal 1997-2002 before they adjourn for the year, probably in early October.

Following the budget, the other matters of greatest concern to Chamber members, the survey results show, are the welfare system; the tax code; the legal system; entitlements such as Medicare, Medicaid, and Social Security; regulations; labor laws; and the health-care system.

Lawmakers in the 104th Congress, with the Chamber's support, addressed many of those issues, but several have not been resolved. Among business-based changes that Congress recently approved and Clinton signed into law are the overhaul of the welfare system, some changes in the health-care system, and certain tax reductions. (See the story beginning on the cover of this issue.)

Congress also passed—but Clinton vetoed—Chamber-backed legislation to reform the product-liability system and to save Medicare and Medicaid from insolvency.

In addition to ranking legislative priorities in their survey responses, Chamber members were asked about suggested legislative action the organization should support on a variety of issues, such as regulations, labor laws, and health care. (See the results on Pages 8A and 9A.) Members were advised that they would be polled at a later date on specific tax-reform options.

The Chamber's policy committees and its board of directors will evaluate the results of the National Business Agenda survey and comments on legislative issues made by members at a Chamber town meeting broadcast nationwide by satellite Sept. 12. The policy committees are made up of representatives of Chamber member companies and organizations.

A final National Business Agenda will be crafted by the Chamber and presented early next year to members of Congress and the president. Watch for a report on the agenda in an upcoming issue of *The Business Advocate*.

POLICY PRIORITIES FOR THE U.S. CHAMBER OF COMMERCE	Highest 1	2	3	4	5	Lowest 6	No Opinion	Not Applicable
•Federal Budget	❑ 70.5	❑ 15.9	❑ 7.2	❑ 2.0	❑ 0.7	❑ 0.7	❑ 0.1	❑ —*
•Welfare Reform	❑ 62.2	❑ 19.7	❑ 8.7	❑ 3.4	❑ 1.5	❑ 0.8	❑ 0.2	❑ 0.2
•Comprehensive Tax Reform	❑ 56.7	❑ 20.6	❑ 10.2	❑ 4.1	❑ 1.7	❑ 1.4	❑ 0.7	❑ 0.1
•Legal Reform	❑ 53.0	❑ 22.3	❑ 12.1	❑ 4.5	❑ 2.0	❑ 1.2	❑ 0.9	❑ 0.2
•Entitlement Reform	❑ 52.0	❑ 20.3	❑ 11.7	❑ 5.6	❑ 3.1	❑ 2.1	❑ 1.6	❑ 0.4
•Small-Business Tax Reform	❑ 51.5	❑ 23.6	❑ 12.9	❑ 4.7	❑ 1.8	❑ 1.4	❑ 0.6	❑ 0.1
•Social Security Reform	❑ 41.7	❑ 27.6	❑ 15.6	❑ 6.4	❑ 2.9	❑ 1.8	❑ 0.5	❑ 0.1
•Regulatory Reform	❑ 38.0	❑ 22.2	❑ 18.7	❑ 7.6	❑ 3.3	❑ 2.2	❑ 1.6	❑ 0.5
•Labor-Law Reform	❑ 32.9	❑ 22.5	❑ 20.7	❑ 11.0	❑ 4.5	❑ 2.8	❑ 1.0	❑ 0.4
•Health-Care Reform	❑ 31.3	❑ 26.6	❑ 20.0	❑ 9.3	❑ 4.2	❑ 3.9	❑ 0.2	❑ 0.3
•Investment and Capital Formation	❑ 29.0	❑ 26.2	❑ 20.4	❑ 8.5	❑ 5.0	❑ 2.9	❑ 2.1	❑ 0.4
•Pension Reform	❑ 17.0	❑ 21.6	❑ 26.7	❑ 14.6	❑ 6.9	❑ 5.2	❑ 1.6	❑ 0.9
•Trade-Development Strategies	❑ 7.1	❑ 14.7	❑ 25.6	❑ 18.4	❑ 12.2	❑ 8.7	❑ 4.9	❑ 2.2
•Trade-Negotiation Strategies	❑ 7.1	❑ 14.5	❑ 26.3	❑ 18.6	❑ 12.6	❑ 8.7	❑ 4.6	❑ 2.3

*Figures are percentages of respondents. (Figures may not total 100 percent.)

GAIN UPDATE

	Definitely Yes	Generally Yes	Generally No	Definitely No	No Opinion
I. REGULATORY REFORM					
• Should property owners be compensated by the federal government for their loss of property value when federal regulations designate a wetlands protection area or protect an endangered species?	57.6	33.5	5.2	1.1	1.7
• Should the federal government's role in protecting public health and the environment focus on developing national standards, while enabling state and local governments and the private sector to decide how best to comply with such standards?	38.3	45.1	5.7	6.0	3.3
• Would your business be willing to increase its investment in enhanced pollution control and prevention processes in exchange for less paperwork, simplified requirements, and greater flexibility in complying with regulatory standards?	22.8	41.1	9.1	4.7	20.4
• Have targeted regulatory reform initiatives, like the Paperwork Reduction Act of 1996 and President Clinton's efforts to rein in the EPA and OSHA, reduced the burden of federal regulations on your business?	4.6	8.0	34.5	37.7	13.6
• Since the Clean Air Act was enacted in 1976, the environment has improved. When the U.S. Congress reviews health-based standards and regulations, should potential economic impacts be considered before further tightening?	48.8	39.2	6.0	2.4	2.4
II. LEGAL REFORM					
• Should the U.S. Congress enact legislation to reform the federal legal system to reduce costs, control unwarranted lawsuits, and minimize unnecessary delays?	86.5	11.2	0.7	0.4	0.5
III. WELFARE REFORM					
• Since a major goal of welfare reform is to move individuals from dependency to work, should the federal government have a major role assisting in this transition, for example, through training and child-care programs?	15.8	28.8	27.0	24.2	3.1
IV. PENSION REFORM					
• If current pension laws were simplified to encourage the establishment and maintenance of qualified retirement plans, would your business offer its employees a plan?	30.6	36.8	10.2	4.5	14.9

	Definitely Yes	Generally Yes	Generally No	Definitely No	No Opinion
V. LABOR-LAW REFORM					
• Should the U.S. Congress amend the Fair Labor Standards Act, which governs wage and hour guidelines for employees, to provide employers with more flexibility in meeting the changing work-force demographics and work arrangements?	49.0	37.3	4.2	1.9	6.2
• Should the U.S. Congress amend the Fair Labor Standards Act to exempt small businesses from its provisions?	41.7	29.4	16.2	4.5	6.8
• Should the U.S. Congress repeal the Davis-Bacon Act, which requires employers to pay a federally established prevailing wage on construction projects funded in full or in part by the federal government?	69.0	15.5	4.0	3.0	7.3
• Should the U.S. Congress amend the National Labor Relations Act so that non-union employees and management can meet and discuss workplace issues like safety, productivity, and scheduling?	73.1	19.8	1.2	1.1	3.5
• Should the U.S. Congress amend the Occupational Safety and Health Act to focus more on providing employers instructions and guidance instead of on issuing new rules and regulations?	73.1	21.9	1.3	0.8	1.7
VI. SMALL-BUSINESS TAX REFORM					
• Should the U.S. Congress reduce the maximum tax rate on retained or reinvested earnings of S corporations, sole proprietorships, and partnerships so that inequities caused by the 1993 tax law are eliminated?	70.5	19.0	0.8	0.7	7.9
• Should the U.S. Congress reform or repeal federal estate- and gift-tax laws in order to preserve family-owned businesses and the jobs of their employees?	82.7	13.4	1.4	0.4	1.2
• Should the U.S. Congress legislate the accepted use of the cash-receipts-and-disbursements method of accounting and, in doing so, limit the authority of the Internal Revenue Service to challenge the use of this method?	60.4	22.2	3.1	1.3	11.5
VII. INVESTMENT AND CAPITAL FORMATION					
• Should the U.S. Congress repeal or reform the alternative minimum tax (AMT) so that capital-intensive industries are not penalized?	48.5	29.2	2.9	1.1	16.6
• Should the U.S. Congress support the reduction or elimination of taxes on capital gains?	72.2	19.7	3.1	1.5	1.9

GAIN UPDATE

VII. INVESTMENT AND CAPITAL FORMATION

(Continued from Page 8A)

	Definitely Yes	Generally Yes	Generally No	Definitely No	No Opinion
• Should the U.S. Congress improve capital cost recovery by increasing the amount allowed for the expensing of new-equipment purchases?	61.1	31.2	2.6	0.5	3.4

VIII. COMPREHENSIVE TAX REFORM

• Should the U.S. Congress replace or significantly simplify the existing federal income-tax system?	81.8	13.7	1.8	0.7	1.2

IX. FEDERAL BUDGET

• Should the U.S. Congress pass a constitutional amendment forcing a balanced budget by requiring tighter controls over spending by the federal government?	82.1	11.6	2.8	2.1	0.8
• Should the U.S. Congress restrain spending to achieve a balanced budget by 2002?	83.4	13.6	1.1	0.4	0.6

X. TRADE-NEGOTIATION STRATEGIES

• Should the U.S. Congress renew and focus the trade-negotiating authority of the president so that access to foreign markets for American companies is expanded, without linking these negotiations to such nontrade issues as environmental and labor standards?	31.7	38.8	10.8	4.8	12.5
• Should the U.S. Congress direct the president to proceed with negotiations that would achieve a free-trade area of the Americas by 2005, beginning with Chile and eventually including other Western Hemisphere countries?	25.0	41.1	6.2	3.9	22.0

XI. TRADE-DEVELOPMENT STRATEGIES

• Should the U.S. Congress enact tax provisions affecting international trade and investment to enhance American competitiveness, increase trade, and avoid foreign retaliation?	34.0	41.8	5.5	2.2	14.1
• Should the U.S.Congress support U.S. government programs that counter foreign governments' assistance to their countries' companies' efforts to penetrate markets in developing countries?	22.8	33.2	13.7	5.1	21.5
• Should the U.S. Congress join with the president and the business community in a nonpartisan process to streamline and focus U.S. government programs and agencies involved in international trade and investment?	35.1	44.6	2.9	1.6	13.0
• Should the U.S. Congress require that any U.S. economic sanctions imposed on other countries, except for national-security reasons, first be agreed to by U.S. trading partners to avoid giving them an unfair trade advantage with no effect on the targeted countries?	25.3	41.9	7.5	3.3	18.5

XII. HEALTH-CARE REFORM

	Definitely Yes	Generally Yes	Generally No	Definitely No	No Opinion
• Should the availability and renewal of health insurance be guaranteed?	37.7	39.5	11.5	6.2	3.0
• Should health-insurance policy limitations on pre-existing conditions be reduced?	32.4	43.4	14.1	4.0	4.0
• Should voluntary purchasing pools be made available for small employers and individuals?	56.6	35.8	1.1	0.8	3.3
• Should medical-malpractice reform be enacted?	68.9	22.3	1.6	0.7	3.9
• Should greater consumer choice in combination with greater accountability be incorporated into health-care reform?	56.1	35.6	1.4	0.4	4.1
• Should consumers be provided with comparative health-care prices and other data?	53.2	37.0	3.0	0.7	3.6
• Should self-employed persons be allowed to deduct 100 percent of health-insurance premiums?	73.6	17.8	3.6	0.8	2.4
• Should health-insurance claims-administration procedures be simplified?	69.7	23.7	1.4	0.2	2.9

XIII. SOCIAL SECURITY REFORM

• Should taxes be increased to support the Social Security system?	3.3	9.3	26.5	56.9	2.5
• Should Social Security benefits be increased at an amount less than the Consumer Price Index?	21.8	32.8	20.9	14.6	7.9
• Should Social Security benefits be reduced?	10.0	19.3	38.1	24.8	5.5
• Should the retirement age for Social Security benefits be extended?	16.8	33.4	24.5	17.3	6.2
• Should individuals be allowed to invest all or part of their Social Security contribution in stocks, bonds, and mutual funds?	51.2	28.4	7.5	5.8	5.9

XIV. ENTITLEMENT REFORM

• Should taxes be increased to pay for scheduled increases in entitlements?	3.3	6.4	25.0	60.6	3.5
• Should Medicare be reformed by introducing competition?	49.0	40.1	3.0	1.9	4.4
• Should federal block grants be provided to states for funding of Medicaid?	26.3	37.9	11.2	8.0	14.7
• Should entitlement-program benefits be increased at an amount less than the Consumer Price Index?	28.4	33.7	15.4	10.3	10.2

GAIN UPDATE

Senate Approves, Clinton Vetoes TEAM Act

The U.S. Chamber of Commerce is urging its members to thank their senators if they voted for legislation to give workers a greater voice on the job and to express disappointment to those who voted against it.

The Chamber is also asking its members to contact the White House to express their displeasure with President Clinton for vetoing the legislation—the Teamwork for Employees and Management (TEAM) Act.

The Senate approved the TEAM Act, 53-46, in mid-July. The House approved the measure, 221-202, late last year.

The legislation, which was strongly backed by the Chamber and strongly opposed by the AFL-CIO, would have allowed employers to establish self-directed employee teams to address various workplace issues important to employees and managers.

The Chamber called Clinton's veto "a disappointing payoff to labor unions." Jeffrey H. Joseph, Chamber vice president for domestic policy, said Clinton "bowed to political expediency, sacrificed American competitiveness, and turned his back on employees and managers throughout the 90 percent nonunion American work force."

The measure would have amended the 1935 National Labor Relations Act to allow nonunion employers to set up work teams. Recent interpretations of the 1935 law by the federal courts and the National Labor Relations Board, which administers the labor statute, made it illegal for employee groups in nonunion businesses to discuss issues such as scheduling, work assignments, and health and safety matters.

The TEAM Act, which would have applied only to nonunion firms, would have overturned those rulings. It would have prohibited work teams from collectively bargaining for wages and benefits.

Congress is not expected to attempt to override Clinton's veto. The Chamber has vowed to renew the fight for passage in 1997.

To contact your senators, write them separately at U.S. Senate, Washington, D.C. 20510, or call (202) 224-3121. Write President Clinton at The White House, 1600 Pennsylvania Ave., Washington, D.C. 20500, or call the White House at (202) 456-1111 between the hours of 9 a.m. and 5 p.m. Eastern time Monday through Friday. GU

VOTED FOR

ALABAMA
Shelby (R)

ALASKA
Murkowski (R)
Stevens (R)

ARIZONA
Kyl (R)
McCain (R)

COLORADO
Brown (R)

DELAWARE
Roth (R)

FLORIDA
Mack (R)

GEORGIA
Coverdell (R)
Nunn (D)

IDAHO
Craig (R)
Kempthorne (R)

INDIANA
Coats (R)
Lugar (R)

IOWA
Grassley (R)

KANSAS
Frahm (R)
Kassebaum (R)

KENTUCKY
McConnell (R)

MAINE
Cohen (R)
Snowe (R)

MICHIGAN
Abraham (R)

MINNESOTA
Grams (R)

MISSISSIPPI
Lott (R)

MISSOURI
Ashcroft (R)
Bond (R)

MONTANA
Burns (R)

NEW HAMPSHIRE
Gregg (R)
Smith (R)

NEW MEXICO
Domenici (R)

NEW YORK
D'Amato (R)

NORTH CAROLINA
Faircloth (R)
Helms (R)

OHIO
DeWine (R)

OKLAHOMA
Inhofe (R)
Nickles (R)

OREGON
Hatfield (R)

PENNSYLVANIA
Santorum (R)
Specter (R)

RHODE ISLAND
Chafee (R)

SOUTH CAROLINA
Hollings (D)
Thurmond (R)

SOUTH DAKOTA
Pressler (R)

TENNESSEE
Frist (R)
Thompson (R)

TEXAS
Gramm (R)
Hutchison (R)

UTAH
Bennett (R)
Hatch (R)

VERMONT
Jeffords (R)

VIRGINIA
Warner (R)

WASHINGTON
Gorton (R)

WYOMING
Simpson (R)
Thomas (R)

VOTED AGAINST

ALABAMA
Heflin (D)

ARKANSAS
Bumpers (D)
Pryor (D)

CALIFORNIA
Boxer (D)
Feinstein (D)

COLORADO
Campbell (R)

CONNECTICUT
Dodd (D)
Lieberman (D)

DELAWARE
Biden (D)

FLORIDA
Graham (D)

HAWAII
Akaka (D)
Inouye (D)

ILLINOIS
Moseley-Braun (D)
Simon (D)

IOWA
Harkin (D)

KENTUCKY
Ford (D)

LOUISIANA
Breaux (D)
Johnston (D)

MARYLAND
Mikulski (D)
Sarbanes (D)

MASSACHUSETTS
Kennedy (D)
Kerry (D)

MICHIGAN
Levin (D)

MINNESOTA
Wellstone (D)

MONTANA
Baucus (D)

NEBRASKA
Exon (D)
Kerrey (D)

NEVADA
Bryan (D)
Reid (D)

NEW JERSEY
Bradley (D)
Lautenberg (D)

NEW MEXICO
Bingaman (D)

NEW YORK
Moynihan (D)

NORTH DAKOTA
Conrad (D)
Dorgan (D)

OHIO
Glenn (D)

OREGON
Wyden (D)

RHODE ISLAND
Pell (D)

SOUTH DAKOTA
Daschle (D)

VERMONT
Leahy (D)

VIRGINIA
Robb (D)

WASHINGTON
Murray (D)

WEST VIRGINIA
Byrd (D)
Rockefeller (D)

WISCONSIN
Feingold (D)
Kohl (D)

DID NOT VOTE

MISSISSIPPI
Cochran (R)

■ Television

'First Business' Reaches 100 Stations

"First Business," the weekday business-news television program of the U.S. Chamber of Commerce, can now be seen on more than 100 broadcast stations nationwide.

The live, half-hour program, which focuses on the interests of small-business people, reached this milestone in mid-September, when more than 30 additional stations began airing the program.

The program is broadcast by satellite from the Chamber's headquarters in Washington and is available in syndication through three satellite feeds beginning at 5 a.m. Eastern time. Updated versions are available at 5:30 a.m. and 6 a.m. (Check the listing below for the time and station in your area. Some stations tape the show and air it at times later than the three listed above.)

In addition to the local broadcast stations, the show can be seen on these regional cable outlets: Cable Television Network of New Jersey (5:30 a.m.), Tennessee News & Information in Knoxville (7 a.m.), Atlanta Media I News (6 and 7 a.m.), Miami Valley Cable in Dayton, Ohio (7:30 a.m.), the Tri-City Fox Regional Cable in Clarksburg, W.Va. (7 a.m.), WSWF Channel 10 in Fort Myers-Naples, Fla. (6 a.m.), and News-Channel 8 in the Washington, D.C., area (9 a.m.).



Barton Eckert anchors "First Business" on weekdays.

"First Business" is sponsored by Massachusetts Mutual Life Insurance Co., widely known as MassMutual—The Blue Chip Company.

CITY	STATION	TIME	AFFILIATE
Albany, Ga.	WGVP-44	6:00 a.m.	Warner Bros.
Baton Rouge, La.	WGMB-44	4 a.m.	Fox
Billings, Mont.	KYUS-3	6:30 a.m.	Independent
Birmingham, Ala.	WBRC-6	5 a.m.	Fox
Boston	WFXT-25	6:30 a.m.	Fox
Bowling Green, Ky.	WGRB-34	6 a.m.	Fox
	WKNT-40	6 a.m.	Fox
Brunswick, Ga.	WBSG-21	7:30 a.m.	Warner Bros.
Buffalo, N.Y.	WUTV-29	5:30 a.m.	Fox
Butte, Mont.	KTVM-6	6 a.m.	NBC
Campbellsville, Ky.	WGRB-34	6 a.m.	Fox
Cedar City, Utah	KSGI-4	7:30 a.m.	Independent
Chicago	WFLD-32	5:30 a.m.	Fox
Chico-Redding, Calif.	KHSL-12	5:30 a.m.	CBS
Columbus, Ga.	WSWS-66	6 a.m.	Warner Bros.
Cookeville, Tenn.	WKZX-28	7:30 a.m.	Warner Bros.
Dallas	KDFI-27	6:30 a.m.	Independent
Denver	KDVR-31	5:30 a.m.	Fox
Erie, Pa.	WICU-12	5 a.m.	NBC
Eugene, Ore.	KEVU-34	6 a.m.	United Paramount Network (UPN)
	KLSR-25	5 a.m.	Fox
Eureka, Calif.	KVIQ-6	6 a.m.	CBS
Fargo, N.D.	KVRR-15	5 a.m.	Fox
Fayetteville, N.C.	WFAY-62	7 & 11:30 a.m.	Fox
Florence, S.C.	WPDE-15	5 a.m.	ABC
Fort Collins, Colo.	KFCT-22	5:30 a.m.	Fox
Fort Meyers, Fla.	WBBH-20	6 a.m.	Fox
Fort Smith, Ark.	KFDF-32	7:30 a.m.	UPN
Grand Rapids, Mich.	WXMI-17	5 a.m.	Fox
Green Bay, Wis.	WFRV-5	5 a.m.	CBS
Greensboro-High Point-Winston-Salem, N.C.	WBFX-20	5:30 a.m.	Warner Bros.
Greenville, S.C.	WHNS-21	5 a.m.	Fox
Hagerstown, Md.	WJAL-68	6 a.m.	Warner Bros.
Harrisburg-Lancaster-Lebanon-York, Pa.	WHP-21	6 a.m.	CBS
Hartford, Conn.	WTXX-20	6 a.m.	UPN
Honolulu	KHON-2	5 a.m.	Fox
Houston	KNWS-51	6:30 a.m.	Independent
Huntsville-Florence, Ala.	WOWL-15	9 a.m.	NBC
Indianapolis	WXIN-59	5:30 a.m.	Fox
Jacksonville, Fla.	WTEV-47	6:30 a.m.	UPN
Johnstown-Altoona, Pa.	WTWB-19	6:30 a.m.	Warner Bros.
Kalispell, Mont.	KCFW-9	6 a.m.	NBC
Kansas City, Mo.	WDAF-4	4:30 a.m.	Fox
Lansing, Mich.	WILX-10	5 a.m.	NBC
Las Vegas	KFBT-33	5 a.m.	Warner Bros.
Lexington, Ky.	WKYT-27	5:30 a.m.	CBS
Lima, Ohio	WTLW-44	6 a.m.	Independent
Lincoln, Neb.	KTVG-17	6 a.m.	Fox

CITY	STATION	TIME	AFFILIATE
Marquette, Mich.	WJMN-3	5 a.m.	CBS
Milwaukee	WDJT-58	5:30 a.m.	CBS
Missoula, Mont.	KECI-13	6 a.m.	NBC
Monroe, La.	KTVE-10	6 a.m.	NBC
Morgan City, La.	KWBJ-39	7 a.m.	Warner Bros.
Myrtle Beach, S.C.	WPDE-15	5 a.m.	ABC
Nashville, Tenn.	WZTV-17	5:30 a.m.	Fox
Norfolk-Hampton, Va.	WPEN-51	8 a.m.	Independent
Oklahoma City	KOKH-25	5 a.m.	Fox
Orlando-Daytona Beach, Fla.	WKCF-18	5 a.m.	Warner Bros.
Ottumwa, Iowa	KTVO-3	5 a.m.	ABC
Panama City, Fla.	WPGX-28	5:30 a.m.	Fox
Philadelphia	WPSG-57	5:30 a.m.	UPN
Phoenix	KSAZ-10	5 a.m.	Fox
Phoenix-Prescott	KUSK-7	5:30 a.m.	Independent
Pittsburgh	WBPA-29	6:30 a.m.	Warner Bros.
Portland, Ore.	KWBP-32	5:30 a.m.	Warner Bros.
Providence, R.I.	WLNE-6	6 a.m.	ABC
Raleigh-Durham, N.C.	WRAY-30	6:30 a.m.	Independent
Roanoke-Lynchburg, Va.	WDRG-24	7:30 a.m.	Warner Bros.
Rochester, N.Y.	WBTW-26	7 a.m.	Warner Bros.
Rockford, Ill.	WIFR-23	5 a.m.	CBS
Sacramento, Calif.	KOVR-13	5 a.m.	CBS
St. Croix, Virgin Islands	WSVI-8	11 a.m.	ABC
St. Louis	KTVI-2	5 a.m.	Fox
Salt Lake City	KSL-5	5 a.m.	NBC
San Diego	KUSI-51	5:30 a.m.	UPN
San Francisco	KFTY-50	6:30 a.m.	Independent
	KTVU-2	5:30 a.m.	Fox
Santa Barbara, Calif.	KADY-63	6 a.m.	Independent
Santa Rosa, Calif.	KFTY-50	6:30 a.m.	Independent
Savannah, Ga.	WUBI-34	6 a.m.	Warner Bros.
Seattle-Tacoma	KTZZ-22	5:30 a.m.	Warner Bros.
Sherman, Texas, Ada-Ardmore, Okla.	KXII-12	5:30 a.m.	UPN
Sioux Falls, S.D.	KDLT-5	6 a.m.	NBC
Syracuse, N.Y.	WSYT-68	5 a.m.	Fox
Tallahassee, Fla.	WTWC-40	6 a.m.	NBC
Tampa-St. Petersburg-Sarasota, Fla.	WBSV-62	7 a.m.	Independent
Traverse City, Mich.	WWTV-9	5 a.m.	CBS
Tri-Cities, Tenn.-Va.	WEMT-39	5 a.m.	Fox
Tulsa, Okla.	KTUL-8	5:30 a.m.	ABC
Tucson, Ariz.	KOLD-13	5 a.m.	CBS
Twin Falls, Idaho	KMVT-11	5:30 a.m.	CBS
Waco-Temple-Bryan, Texas	KYLE-28	8 a.m.	Warner Bros.
Washington	WBDC-50	5:30 a.m.	Warner Bros.
Watertown, N.Y.	WWNY-7	6 a.m.	CBS
West Palm Beach, Fla.	WTCN-16	6 a.m.	Independent
Wichita, Kan.	KSAS-36	6:30 a.m.	UPN
Youngstown, Ohio	WFMJ-21	6 a.m.	NBC
Yuma, Ariz.	KYMA-11	5:30 a.m.	NBC

Chamber Adds Endorsements

The U.S. Chamber of Commerce has now endorsed 297 candidates running for seats in Congress in the Nov. 5 elections. The organization will make final endorsements in early October. In the latest round, the Chamber's board of directors voted in late August to back five candidates for the U.S. Senate and 21 for the U.S. House of Representatives who are either challengers to incumbents or are running for open seats.

Earlier, the Chamber had endorsed 16 senators and 217 representatives as "friends of business" as well as a number of House or Senate candidates running as challengers or for open seats.

The "friends of business" endorsement is earned by incumbents who during their tenures in Congress have voted at least 70 percent of the time for the Chamber's position on selected issues important to business.

For more information on the Chamber's political-action program, call Doug Loon, director of congressional affairs, at (202) 463-5600.

Following is the list of the candidates endorsed by the Chamber as of press time:

ENDORSED HOUSE

INCUMBENTS

ALABAMA

1	Sonny Callahan (R)	90%
2	Terry Everett (R)	89%
6	Spencer Bachus (R)	94%

ARIZONA

1	Matt Salmon (R)	96%
3	Bob Stump (R)	89%
4	John Shadegg (R)	100%
5	Jim Kolbe (R)	95%
6	J.D. Hayworth (R)	100%

ARKANSAS

4	Jay Dickey (R)	89%

CALIFORNIA

1	Frank Riggs (R)	93%
2	Wally Herger (R)	91%
4	John Doolittle (R)	86%
10	Bill Baker (R)	93%
11	Richard Pombo (R)	93%
19	George P. Radanovich (R)	100%
21	William M. Thomas (R)	93%
22	Andrea Seastrand (R)	92%
23	Elton Gallegly (R)	91%
25	Howard McKeon (R)	100%
28	David Dreier (R)	92%
38	Steve Horn (R)	90%
39	Edward Royce (R)	90%
40	Jerry Lewis (R)	82%
41	Jay Kim (R)	100%
43	Ken Calvert (R)	100%
44	Sonny Bono (R)	100%
45	Dana Rohrabacher (R)	87%
46	Robert K. Dornan (R)	86%
47	C. Christopher Cox (R)	87%
48	Ron Packard (R)	92%
49	Brian Bilbray (R)	96%
51	Randy Cunningham (R)	92%
52	Duncan Hunter (R)	85%

COLORADO

3	Scott McInnis (R)	90%
5	Joel Hefley (R)	90%
6	Dan Schaefer (R)	85%

CONNECTICUT

5	Gary Franks (R)	91%
6	Nancy L. Johnson (R)	70%

DELAWARE

	Michael Castle (R)	95%

FLORIDA

1	Joe Scarborough (R)	88%
4	Tillie Fowler (R)	91%
6	Cliff Stearns (R)	80%
7	John Mica (R)	89%
8	Bill McCollum (R)	89%
9	Michael Bilirakis (R)	82%
10	C.W. "Bill" Young (R)	80%
12	Charles Canady (R)	91%
13	Dan Miller (R)	96%
14	Porter J. Goss (R)	88%
15	David Weldon (R)	100%
16	Mark Foley (R)	96%
18	Ileana Ros-Lehtinen (R)	72%
21	Lincoln Diaz-Balart (R)	78%
22	E. Clay Shaw Jr. (R)	86%

GEORGIA

1	Jack Kingston (R)	91%
3	Michael "Mac" Collins (R)	85%
4	John Linder (R)	97%
6	Newt Gingrich (R)	89%
7	Bob Barr (R)	96%
8	Saxby Chambliss (R)	100%
9	Nathan Deal (R)*	87%
10	Charles Norwood (R)	100%

IDAHO

1	Helen Chenoweth (R)	92%
2	Michael Crapo (R)	91%

ILLINOIS

5	Michael Flanagan (R)	92%
6	Henry J. Hyde (R)	86%
8	Philip M. Crane (R)	88%
10	John Edward Porter (R)	85%
11	Jerry Weller (R)	100%
13	Harris W. Fawell (R)	93%
14	J. Dennis Hastert (R)	90%
15	Thomas Ewing (R)	93%
16	Donald Manzullo (R)	94%
18	Ray LaHood (R)	88%

INDIANA

2	David McIntosh (R)	100%
4	Mark Edward Souder (R)	92%
5	Steve Buyer (R)	100%
6	Dan Burton (R)	87%
8	John N. Hostettler (R)	83%

IOWA

1	Jim Leach (R)	71%
2	Jim Nussle (R)	94%
4	Greg Ganske (R)	100%
5	Tom Latham (R)	96%

KANSAS

4	Todd Tiahrt (R)	100%

KENTUCKY

1	Edward Whitfield (R)	100%
2	Ron Lewis (R)	86%
4	Jim Bunning (R)	90%
5	Harold Rogers (R)	81%

LOUISIANA

1	Bob Livingston (R)	87%
3	W.J. "Billy" Tauzin (R)*	75%
5	Jim McCrery (R)	94%
6	Richard H. Baker (R)	94%

MAINE

1	Jim Longley (R)	96%

MARYLAND

1	Wayne Gilchrest (R)	91%
2	Robert Ehrlich Jr. (R)	88%
6	Roscoe Bartlett (R)	94%

MASSACHUSETTS

3	Peter Blute (R)	83%
6	Peter Torkildsen (R)	87%

MICHIGAN

2	Peter Hoekstra (R)	96%
3	Vernon Ehlers (R)	94%
4	Dave Camp (R)	94%
6	Frederick S. Upton (R)	94%
7	Nick Smith (R)	93%
8	Dick Chrysler (R)	100%
11	Joseph Knollenberg (R)	94%


DON'T MISS THE BOAT... WE'D LOVE YOUR COMPANY ON A CRUISE
To see how easy it is to increase your company's profits, while receiving all the credit, just fill out the Royal Caribbean Corporate Program Card and send it in!
ROYAL CARIBBEAN

Steps For A Royal Corporate Cruise

STEP 1

Choose Royal Caribbean

When you're offering clients or your employees a special value, you've got to feel confident the quality of the product is second to none. That's why you should get on board with us. You'll see that we offer an award-winning product, great values and itineraries for everyone!

STEP 2

Let Us Help You.

Royal Caribbean is ready to work closely with your company, creating and implementing enhancement promotions that effectively target your clients or your employees and deliver cost-effective results. Let us help you customize a program to specifically meet your corporate needs.

STEP 3

Reap The Rewards.

Not only will offering your clients and employees an exclusive value make them feel privileged and special, your company will, at the same time, benefit from increased customer loyalty and goodwill.

And that can only lead to one thing ...higher profits!

STEP 4

Take All The Credit

On every promotional piece, your company's name will be featured prominently, customers and employees naturally will associate the savings and / or added value with you. Congratulations!

ROYAL CARIBBEAN

Royal Caribbean's Corporate Program is a Standout

HOUSE ENDORSED

MINNESOTA
1	Gil Gutknecht (R)	100%
3	Jim Ramstad (R)	86%

MISSISSIPPI
1	Roger Wicker (R)	96%
4	Mike Parker (R)*	84%

MISSOURI
2	James Talent (R)	94%

NEBRASKA
1	Doug Bereuter (R)	86%
2	Jon Christensen (R)	96%
3	Bill Barrett (R)	92%

NEVADA
1	John Ensign (R)	100%

NEW HAMPSHIRE
2	Charles Bass (R)	96%

NEW JERSEY
2	Frank A. LoBiondo (R)	79%
3	Jim Saxton (R)	80%
5	Marge Roukema (R)	74%
7	Bob Franks (R)	88%
8	Bill Martini (R)	79%
11	Rodney Frelinghuysen (R)	88%

NEW MEXICO
1	Steven Schiff (R)	84%
2	Joe Skeen (R)	84%

NEW YORK
1	Michael Forbes (R)	79%
2	Rick Lazio (R)	80%
3	Peter King (R)	82%
4	Daniel Frisa (R)	96%
13	Susan V. Molinari (R)	83%
19	Sue W. Kelly (R)	92%
22	Gerald B.H. Solomon (R)	80%
24	John McHugh (R)	83%
25	James T. Walsh (R)	76%
27	Bill Paxon (R)	91%
30	Jack Quinn (R)	82%
31	Amo Houghton Jr. (R)	80%

NORTH CAROLINA
2	David Funderburk (R)	96%
3	Walter Jones Jr. (R)	96%
4	Fred Heineman (R)	96%
5	Richard M. Burr (R)	96%
6	Howard Coble (R)	90%
9	Sue Myrick (R)	100%
10	Cass Ballenger (R)	92%
11	Charles H. Taylor (R)	86%

OHIO
1	Steve Chabot (R)	96%
2	Rob Portman (R)	97%
4	Michael G. Oxley (R)	92%
5	Paul E. Gillmor (R)	85%
6	Frank A. Cremeans (R)	100%
7	David Hobson (R)	87%
8	John A. Boehner (R)	92%
10	Martin Hoke (R)	94%
12	John R. Kasich (R)	90%
15	Deborah Pryce (R)	94%
16	Ralph Regula (R)	75%
18	Bob Ney (R)	88%
19	Steven C. LaTourette (R)	96%

OKLAHOMA
1	Steve Largent (R)	100%
2	Tom Coburn (R)	96%
4	J.C. Watts (R)	100%
5	Ernest Jim Istook (R)	93%
6	Frank D. Lucas (R)	95%

OREGON
5	Jim Bunn (R)	96%

PENNSYLVANIA
7	Curt Weldon (R)	75%
8	Jim Greenwood (R)	90%
9	Bud Shuster (R)	86%
13	Jon D. Fox (R)	83%
17	George W. Gekas (R)	88%
19	William F. Goodling (R)	78%
21	Philip S. English (R)	92%

SOUTH CAROLINA
1	Mark Sanford Jr. (R)	92%
2	Floyd Spence (R)	84%
3	Lindsey Graham (R)	96%
4	Bob Inglis (R)	81%

TENNESSEE
2	John J. Duncan Jr. (R)	80%
3	Zach Wamp (R)	96%
4	Van Hilleary (R)	100%
7	Ed Bryant (R)	100%

TEXAS
3	Sam Johnson (R)	94%
4	Ralph M. Hall (D)	78%
6	Joe Barton (R)	91%
7	Bill Archer (R)	91%
9	Steve Stockman (R)	91%
13	William "Mac" Thornberry (R)	100%
17	Charles W. Stenholm (D)	79%
19	Larry Combest (R)	91%
21	Lamar S. Smith (R)	91%
22	Tom DeLay (R)	92%
23	Henry Bonilla (R)	100%
25	Richard K. Armey (R)	95%

UTAH
1	James V. Hansen (R)	92%

VIRGINIA
1	Herbert H. Bateman (R)	85%
6	Bob Goodlatte (R)	93%
7	Thomas J. Bliley Jr. (R)	93%
10	Frank R. Wolf (R)	80%
11	Thomas M. Davis III (R)	88%

WASHINGTON
1	Rick White (R)	100%
2	Jack Metcalf (R)	92%
3	Linda Smith (R)	100%
4	Richard "Doc" Hastings (R)	100%
5	George Nethercutt (R)	100%
8	Jennifer Dunn (R)	97%
9	Randy Tate (R)	100%

WISCONSIN
1	Mark Neumann (R)	100%
2	Scott Klug (R)	76%
6	Thomas E. Petri (R)	76%
9	F. James Sensenbrenner Jr. (R)	81%

WYOMING
	Barbara Cubin (R)	100%

CHALLENGERS

ALABAMA
5 Wayne Parker (R)

CALIFORNIA
3 Tim LeFever (R)
17 Jess Brown (R)
42 Linda Wilde (R)

GEORGIA
4 John Mitnick (R)

HAWAII
1 Orson Swindle (R)

ILLINOIS
3 Jim Nalepa (R)
17 Mark Baker (R)

INDIANA
9 Jean Leising (R)

KENTUCKY
3 Anne Northup (R)

MASSACHUSETTS
1 Jane Swift (R)

MICHIGAN
9 Pat Nowak (R)
10 Susy Heintz (R)
12 John Pappageorge (R)
13 Joseph Fitzsimmons (R)

MISSISSIPPI
2 Danny Covington (R)

MISSOURI
9 Kenny Hulshof (R)

NEW YORK
26 Sue Wittig (R)

NORTH CAROLINA
8 Curtis Blackwood (R)

NORTH DAKOTA
Kevin Cramer (R)

OHIO
14 Joyce George (R)

OREGON
1 Bill Witt (R)

ENDORSED HOUSE

PENNSYLVANIA
6 Christian Leinbach (R)

SOUTH CAROLINA
5 Larry Bigham (R)

TEXAS
24 Ed Harrison (R)
25 Brent Perry (R)

VERMONT
Susan Sweetser (R)

OPEN SEATS

ALABAMA
3 Bob Riley (R)
4 Bob Aderholt (R)

ARKANSAS
1 Warren Dupwe (R)
2 Bud Cummins (R)
3 Asa Hutchinson (R)

CALIFORNIA
15 Tom Campbell (R) **
24 Rich Sybert (R)
27 James Rogan (R)

INDIANA
7 Ed Pease (R)
10 Virginia Blankenbaker (R)

ILLINOIS
20 John Shimkus (R)

IOWA
3 Mike Mahaffey (R)

KANSAS
1 Jerry Moran (R)
2 Jim Ryun (R)
3 Vince Snowbarger (R)

MISSISSIPPI
3 Charles Pickering (R)

MISSOURI
7 Roy Blunt (R)
8 Jo Ann Emerson (I)

MONTANA
Rick Hill (R)

NEW JERSEY
9 Kathleen Donovan (R)
12 Mike Pappas (R)

NORTH CAROLINA
7 Bill Caster (R)

PENNSYLVANIA
5 John Peterson (R)
16 Joe Pitts (R)

SOUTH DAKOTA
John Thune (R)

TENNESSEE
1 Bill Jenkins (R)

TEXAS
1 Ed Merritt (R)
2 Brian Babin (R)
5 Pete Sessions (R)
8 Kevin Brady (R)
12 Kay Granger (R)
14 Ron Paul (R)
15 Ruben Hinojosa (D)
16 Silvestre Reyes (D)

UTAH
2 Merrill Cook (R)

** Switched political parties during 1995.*
*** Campbell is currently filling the remainder of the term of former Rep. Norman Y. Mineta, who retired at the end of 1995.*

SENATE ENDORSED

INCUMBENTS

ALASKA
Ted Stevens (R) 71%

IDAHO
Larry E. Craig (R) 92%

KENTUCKY
Mitch McConnell (R) 90%

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Thad Cochran (R) 84%

NEW HAMPSHIRE
Robert C. Smith (R) 91%

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Pete V. Domenici (R) 78%

NORTH CAROLINA
Jesse Helms (R) 89%

OKLAHOMA
James Inhofe (R) 90%

SOUTH CAROLINA
Strom Thurmond (R) 88%

SOUTH DAKOTA
Larry Pressler (R) 72%

TENNESSEE
Fred Thompson (R) 89%

TEXAS
Phil Gramm (R) 88%

VIRGINIA
John W. Warner (R) 85%

CHALLENGERS

IOWA
Rep. Jim Lightfoot (R) 91%

MASSACHUSETTS
Gov. William Weld (R)

MICHIGAN
Ronna Romney (R)

MINNESOTA
Rudy Boschwitz (R)

MONTANA
Dennis Rehberg (R)

OPEN SEATS

ALABAMA
Jeff Sessions (R)

ARKANSAS
Rep. Tim Hutchinson (R) 90%

GEORGIA
Guy Millner (R)

ILLINOIS
Al Salvi (R)

KANSAS
Rep. Sam Brownback (R) 100%
Rep. Pat Roberts (R) 91%

MAINE
Susan Collins (R)

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Chuck Hagel (R)

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Rep. Dick Zimmer (R) 76%

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Gordon Smith (R)

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For bulk orders of 50 or more, there is a charge of 10 cents per brochure. Credit card orders may be faxed to (301) 468-5150.

Business Seminars

"The Seven Spiritual Laws of Success as Applied to Business: A Practical Approach" will be the topic of a satellite seminar sponsored by the U.S. Chamber's Quality Learning Services Department. The seminar will air Oct. 8 from 1 to 3 p.m. Eastern time.


Chopra

The presenter will be best-selling author Deepak Chopra, who wrote *The Seven Spiritual Laws of Success.*

Other seminars in the fall series, with the date, presenter, and topic of each, are:

Oct. 15—Marc J. Wallace Jr., author and founding partner of the Center for Workforce Effectiveness, a workplace consulting firm in Northbrook, Ill.; "The Virtual Workplace."

Oct. 29—Hyrum W. Smith, chairman and CEO of Franklin Quest Co., a time-management consulting company in Salt Lake City; "Time Management: It Has Nothing To Do With Watching the Clock."

Nov. 12—Knight A. Kiplinger, co-editor of *The Kiplinger Washington Letter* and publisher of *Kiplinger's Personal Finance* magazine; "Kiplinger Forecast: What's Ahead for Business, the Economy and Your Personal Finances."

Nov. 19—Paul and Sarah Edwards, authors; "Finding Your Perfect Work: The New Career Guide to Making a Living and Creating a Life."

Dec. 3—William J. Morin, former chairman and CEO of Drake Beam Morin, Inc., an outplacement and job-transition firm in New York City; "Career Alignment: Matching Personal and Organizational Goals."

Each seminar will air from 1 to 3 p.m. Eastern time. For information on the seminar site nearest you or to learn how to host a downlink site, call the Chamber's Quality Learning Services Department at 1-800-835-4730 or (202) 463-5940.

A catalog describing the fall series in more detail is available free by calling the same phone numbers.

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